



Carlos Jackson
Executive Director

HOUSING AUTHORITY of the County of Los Angeles

Administrative Office

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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

AGENDA FOR THE REGULAR MEETING OF THE LOS ANGELES COUNTY HOUSING COMMISSION WEDNESDAY, SEPTEMBER 26, 2007 12:00 NOON HEADQUARTERS OFFICE 2 CORAL CIRCLE MONTEREY PARK, CA 91755 (323) 890-7001

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1. Call to Order

2. Roll Call

Lynn Caffrey Gabriel, Chair
Henry Porter, Jr., Vice Chair
Severyn Aszkenazy
Philip Dauk
Adriana Martinez
Bertha Scott

3. Reading and Approval of the Minutes of the Previous Meetings

Regular Meeting of August 22, 2007

4. Report of the Executive Director

5. Notice of Closed Session – The Housing Commission will adjourn to Closed Session to discuss a litigation – Ennis and Lewis v. Housing Authority of the County of Los Angeles/Carlos Jackson

6. Public Comments

The public may speak on matters that are within the jurisdiction of the Housing Commission. Each person is limited to three minutes.

7. Staff Presentations

SocialServe.com – Larry Newnam
Closed Circuit Television Security System – Betsy Lindsay
Status Report on the Section 8 Call Center – Margarita Lares-Herrera
Status Report on Housing Locator Services – Margarita Lares-Herrera



Regular Agenda

8. Approve Vacant Unit Preparation Services Contracts for the Cleaning and Painting of Vacant Housing Authority Units (All Districts)

Recommend approval and find that the vacant unit preparation services contracts is exempt from the California Environmental Quality Act (CEQA), as described herein, because the services will not have the potential for causing a significant effect on the environment; authorize the Executive Director to execute one-year contracts, in substantially the form of the attached, and all related documents, with the contractors identified in Attachment A, to perform County-wide cleaning and painting of vacant units on an as-needed basis prior to occupancy by new and transferring Housing Authority residents, to be effective following approval as to form by County Counsel and execution by all parties; and to use for this purpose a maximum aggregate amount of \$395,100, included in the Housing Authority's approved Fiscal Year 2007-2008 budget; authorize the Executive Director to execute amendments to the contracts, following approval as to form by County Counsel, for a maximum of two years, in one-year increments, at the same yearly amount of \$395,100, using funds to be requested through the annual budget approval process; authorize the Executive Director to execute additional contracts, in substantially the form of the attached, and all related documents, with additional qualified contractors who submit bids in conformance with the bid requirements during the next bid process to be held within this fiscal year, in order to ensure sufficient numbers of contractors to meet the vacant unit preparation needs; authorize the Executive Director to increase the aggregate amounts of the contracts by \$98,775 for each year of services for any unforeseen, needed unit preparation services, using the same source of funds. (APPROVE)

9. Housing Commissioners Comments and Recommendations for Future Agenda Items

Housing Commissioners may provide comments or suggestions for future Agenda items.

Copies of the preceding agenda items are on file and are available for public inspection between 8:00 a.m. and 5:00 p.m., Monday through Friday, at the Housing Authority's main office located at 2 Coral Circle in the City of Monterey Park. Access to the agenda and supporting documents is also available on the Housing Authority's website.

Agendas in Braille are available upon request. American Sign Language (ASL) interpreters, or reasonable modifications to Housing Commission meeting policies and/or procedures, to assist members of the disabled community who would like to request a disability-related accommodation in addressing the Commission, are available if requested at least three business days prior to the Board meeting. Later requests will be accommodated to the extent possible. Please contact the Executive Office of the Housing Authority by phone at (323) 838-5051, or by e-mail at marisol.ramirez@lacdc.org, from 8:00 a.m. to 5:00 p.m., Monday through Friday.

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

MINUTES FOR THE REGULAR MEETING OF THE

LOS ANGELES COUNTY HOUSING COMMISSION

Wednesday, August 22, 2007

The meeting was convened at the South Bay Gardens housing development located at 230 East 130th Street, Los Angeles, California.

Digest of the meeting. The Minutes are being reported seriatim. A taped record is on file at the main office of the Housing Authority.

The meeting was called to order by Chair Lynn Caffrey Gabriel at **12:12** p.m.

ROLL CALL

	<u>Present</u>	<u>Absent</u>
Lynn Caffrey Gabriel	X	
Henry Porter, Jr.	X	
Severyn Aszkenazy	X	
Philip Dauk		X
Adriana Martinez		X
Bertha Scott	X	

PARTIAL LIST OF STAFF PRESENT:

Carlos Jackson, Executive Director
Bobbette Glover, Assistant Executive Director
Emilio Salas, Director, Administrative Services

GUESTS PRESENT:

No guests were present.

Reading and Approval of the Minutes of the Previous Meeting

On Motion by Commissioner Porter, seconded by Commissioner Gabriel the Minutes of the Regular Meeting of May 23, 2007 were approved. Commissioner Aszkenazy abstained.

On Motion by Commissioner Porter, seconded by Commissioner Gabriel the Minutes of the Regular Meeting of July 25, 2007 were approved as amended to reflect the introduction of Ms. Scott as Tenant Commissioner. Commissioner Aszkenazy abstained.

Agenda Item No. 4 - Report of the Executive Director

Bobbette Glover announced that Angelica Gutierrez is leaving the Commission to pursue a Ph.D. at the Anderson School of Management. Nicholas "Nick" Teske, who previously worked at the City of West Hollywood in a similar capacity, will be taking over responsibility for Board letter functions.

Esther Keosababian, Manager, Housing Management Division, gave a brief overview of the South Bay Gardens housing development.

Ms. Glover thanked members of the Resident Council for attending the Housing Commission meeting.

Agenda Item No. 5 - Public Comments

No comments were received from the public.

Agenda Item No. 6 – Staff Presentations

Bob Nishmura provided a presentation on the Fraud Prevention Program and responded to questions from the Commissioners.

Regular Agenda

On Motion of Concurrence by Commissioner Porter, seconded by Commissioner Aszkenazy, and unanimously carried, the following was approved by the Housing Commission:

CONCURRENCE OF BOARD SUPERVISORS/COMMISSIONERS
ACTION ON THE HOUSING AUTHORITY CORRECTIVE ACTION PLAN
FOR THE HOUSING CHOICE VOUCHER (SECTION 8) PROGRAM
AGENDA ITEM NO. 7

CONCURRENCE OF BOARD SUPERVISORS/COMMISSIONERS
ACTION AUTHORIZING SIGNING OF THE HOUSING AUTHORITY
CORRECTIVE ACTION PLAN FOR THE HOUSING CHOICE VOUCHER
(SECTION 8) PROGRAM
AGENDA ITEM NO. 8

Carlos Jackson, Executive Director, provided the following information related to agenda Item Nos. 7 and 8:

In July 2007, HUD appointed an Advisor to the Housing Authority for the purpose of addressing Section 8 Program deficiencies, including the rates of property lease-ups, annual re-examinations and property inspections. Staff met with the Director of Public Housing from the HUD local office and representatives of the Board offices regarding the advisory firm's scope of work which included the delegation of certain decision-making powers to the Advisor. The Executive Director requested that HUD modify the language to state that the final authority rests with him and the Board. The HUD representatives stated that an Advisor is assigned to every troubled agency; however, the City of Anaheim is also in troubled status and does not have an Advisor.

HUD has advised that although the Housing Authority might improve its Section 8 Management Assessment Program (SEMAP) scores, it could remain in troubled status for other reasons. HUD's final statement was that the Housing Authority could not be removed from troubled status until both the Corrective Action Plan (CAP) is completed and SEMAP scores improved. HUD has the ultimate authority in this regard.

On August 21, 2007, the Board of Commissioners approved the CAP, including: 1) proposed training for Board members, and 2) the appointment of an Advisor working with the Housing Authority for 40 hours per week for 16 consecutive weeks.

The Housing Authority will provide a status report to the Board this Tuesday regarding the Advisor position. The CEO will also provide an assessment.

On Motion by Commissioner Aszkenazy, seconded by Commissioner Porter, and unanimously carried, the following was approved by the Housing Commission:

APPROVE AMENDMENT NO. 1 TO CONTRACT WITH DEL
RICHARDSON AND ASSOCIATES, INC. FOR HOUSING LOCATOR
SERVICES (ALL DISTRICTS)
AGENDA ITEM NO. 9

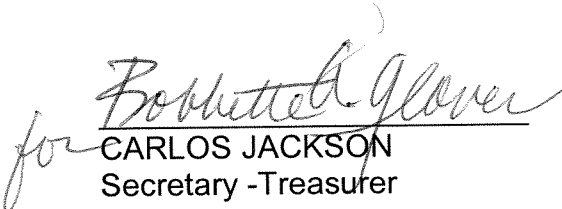
1. Recommend that the Board of Commissioners find that Amendment No. 1 to the contract for housing locator services (Contract) is not subject to the California Environmental Quality Act (CEQA), as described herein, because the activities are not defined as a project under CEQA.
2. Recommend that the Board of Commissioners authorize the Executive Director to execute Amendment No. 1 to the Contract between the Housing Authority and Del Richardson and Associates, Inc. (Consultant) for housing locator services, to increase the compensation amount by up to \$750,000 in funds to be received from the Department of Social Services (DPSS), to extend the term of the Contract through December 31, 2008, with two one-year options to extend, and to increase the number of recipients of housing locator services by 1,000, following approval as to form by County Counsel.
3. Recommend that the Board of Commissioners authorize the Executive Director to execute any necessary, non-monetary amendments to the Contract for the purposes described above, following approval as to form by County Counsel.
4. Recommend that the Board of Commissioners authorize the Executive Director to accept up to \$750,000 in funds from DPSS and incorporate said funds, as needed, into the Housing Authority's approved 2007-2008 fiscal year budget.

Agenda Item No. 10 – Housing Commissioner Comments and Recommendations for Future Agenda Items

Commissioner Porter requested an update on the Neighborhood Legal Services outcome.

On Motion by Commissioner Porter, seconded by Commissioner Aszkenazy, the Regular Meeting of August 22, 2007, was adjourned at 2:11 p.m.

Respectfully submitted,


for CARLOS JACKSON
Secretary -Treasurer

Housing Authority - County of Los Angeles

FOR YOUR INFORMATION ONLY

September 17, 2007

To: Each Supervisor

From: Carlos Jackson, Executive Director

**SUBJECT: MONTHLY PROGRESS REPORT ON THE SECTION 8
HOUSING PROGRAM**

On March 13, 2007, your Board instructed me to report monthly on our efforts and progress to remove the Section 8 program from its "troubled" status, as rated by HUD's Section Eight Management Assessment Program (SEMAP). This report covers the period of August 17, 2007 - September 17, 2007 and provides information on the following:

- Corrective Action Plan (CAP) for FY 2005-2006 approved by your Board on August 21, 2007.
- The Nelrod Company advisor
- Current performance status
- Office of Inspector General (OIG) audit

SEMAP

As I reported to your Board on August 21, 2007, we anticipate earning at least 90 points out of the possible 145 SEMAP points to receive a standard rating for FY 2006-2007. This is based on our self-assessment of SEMAP indicators 1 through 8, which was completed and submitted to HUD on August 6, 2007, and HUD's score from the online reporting system for June 30, 2007, on indicators 9 through 14. As indicated to your Board on August 28, 2007, the Section 8 program would be removed from "troubled" status only if HACoLA receives a SEMAP score of at least 87 points for FY 2006-2007 and completes the tasks listed in the executed CAP.

CAP

The first group of CAP items was submitted to HUD today, on September 17, 2007, which reflects performance objectives completed through June 30, 2007. The next set of CAP documents will be submitted to HUD by October 17, 2007, and will cover performance objectives to be completed by August 31, 2007. The final CAP submission will be submitted to HUD by November 17, 2007 and will cover all remaining performance objectives. (See Attachment A)

HUD Advisor On-Site

Following your Board's action to accept the technical assistance from HUD, we met with the HUD Advisor, the Nelrod Company, on Wednesday, September 5, 2007. Although HUD's Los Angeles Field Office staff was invited to participate in the meeting, they did not attend. Nelrod provided the HUD task list, which outlines a work plan. The task list was shared with the Board Deputies on August 28, 2007. After one week, Nelrod has identified the "critical impact priorities" that will best assist us within the scope of their task order. In addition to completing the tasks outlined in HUD's task list, Nelrod will also be providing assistance in the following areas:

1. Determination of Adjusted Income Performance
2. Lease-up
3. SEMAP Documentation for FY 07-08
4. Effective YARDI Implementation
5. Annual Re-examinations
6. Enforcement of Housing Quality Standards
7. Housing Quality Standards Annual Inspections

Nelrod is seeking approval to provide formal training to the Board of Supervisors, but their existing contract may prohibit this item. However, alternative training measures are being explored that will accommodate your respective schedule. My upcoming monthly report will contain updates on the Nelrod activities.

FY 2007-2008 Performance Status

The following is the current performance status on the three most critical indicators for FY 2007-2008:

Annual Reexaminations (SEMAP Indicator #9) – We have completed 98% of the annual reexaminations that are due through September 1, 2007.

Annual Inspections (SEMAP Indicator #12) – We have completed 99.7% of the annual inspections that are due through September 1, 2007.

Lease-Up (SEMAP Indicator #13) – Our current lease-up rate is 90.6%, representing 18,772 assisted families throughout the County. We have 1,955 pending contracts; 1,095 voucher holders are seeking housing; 2,898 applications are being processed at this time. Due to our continuing lease-up efforts, we remain on target to reach 95% lease-up by December 31, 2007.

Each Supervisor
September 17, 2007
Page 3

Pending Office of Inspector General Audit

As we reported previously, HACoLA has yet to receive the HUD Office of the Inspector General (OIG) report from the auditor, who has been working on the annual re-examination and tenant eligibility throughout the past year.

CJ:ML:sm
Attachment

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer/Clerk of the Board of Supervisors
Each Deputy
Los Angeles County Housing Commissioners

Corrective Action Plan

The process for closure of the CAP items is to prepare the back-up materials to support compliance with the particular issue, and, either send it or, if too voluminous, make sure that it is available to the HUD staff for review. HUD staff will review the submission and after all of the information is received, a confirmatory on-site at the HACoLA will take place. At that time, a final decision will be made on closure of the issue.

CORRECTIVE ACTION PLAN TIMELINE			
<i>Management Area or Indicator</i>	<i>Submittal Date 9/17/07</i>	<i>Submittal Date 10/17/07</i>	<i>Submittal Date 11/17/07</i>
Governance			√
Organization and Staffing		√	
Finance			√
Procurement	√		
MIS	√		
Program Management		√	
Indicator 1 – Selection from the Waiting List		√	
Indicator 2 – Rent Reasonableness	√		
Indicator 3 – Determination of Adjusted Income			√
Indicator 4 – Utility Allowance Schedule	√		
Indicator 5 – HQS Quality Control Inspections	√		
Indicator 6 – HQS Enforcement			√
Indicator 7 – Expanding Housing Opportunities	√		
Indicator 8 – Payment Standards	√		
Indicator 9 – Annual Reexaminations			√
Indicator 10 – Correct Tenant Rent Calculations			√
Indicator 11 – Pre-contract Housing Quality Standards (HQS) Inspections	√		
Indicator 12 – Annual Housing Quality Standards Inspections			√
Indicator 13 – Lease-up			√
Indicator 14 – Family Self-Sufficiency (FSS)			√



Powered by

Pa. officials concerned about migration from N.J.

By Charisse Jones, USA TODAY

ALTOONA, Pa. — Robin Moore had never heard of this city in the mountains of central Pennsylvania, so far in distance and feeling from her home in Newark.

Compelled by a desire to stretch her dollars and find space and safety, Moore dialed a phone number she spotted on a flier in a Newark welfare office. "I always liked Pennsylvania, so I kind of took a chance with Altoona," says Moore, 37.

In March, she moved with her husband, three daughters and grandson to a public housing development here.

"I wanted to protect my children," she says. "I wanted to protect my husband because in New Jersey, there's a lot going on. This town had more of what I wanted, a little more peace."

Moore's is one of at least 16 lower-income families who in recent months moved more than 200 miles across state lines from Newark and nearby urban enclaves to Altoona, population 47,000.

Home for Moore is a four-bedroom, two-story unit that has a back deck and mountain view, a marked change from the Newark public housing project, rife with drug dealing, where she once lived.

The arrival of Moore and others, along with inquiries by dozens of other New Jersey residents seeking subsidized housing here, has triggered concerns by Altoona housing officials that New Jersey is steering its poor to Pennsylvania, kindling tensions between longtime residents and the newcomers.

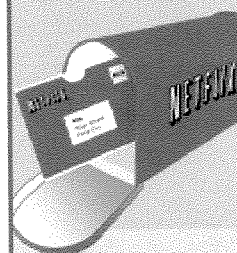
The migration is one reflection of the shortage of affordable housing in many metropolitan areas. Teachers, police officials and other middle-class workers often live far from where they work because they can't afford adequate housing in those communities.

The poor aren't much different, says Danilo Pelletiere, research director for the National Low Income Housing Coalition.

"More and more, it's not so much economic opportunity, but it's the lower housing costs" prompting poor people to move, Pelletiere says. "We have been losing low-cost rental units in most major metropolitan areas ... to condos in some cases, in others to neglect, and to even higher-priced rentals."

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The Altoona phenomenon is popping up elsewhere:

•**Lancaster, Calif.** Communities in the Antelope Valley have seen an influx of families from Los Angeles, 70 miles away. Their public-housing vouchers enable them to afford nicer homes than they had in the city.

•**Columbus, Ohio.** Barbara Clark, head organizer for the local chapter of the affordable-housing advocacy group ACORN, says local families use their subsidies to find homes in the suburbs. "To find a nice home, you have to move way out," Clark says.

Then there's New Jersey, which has the nation's highest per capita property taxes and some of its most expensive housing.

Tory Gunsolley, spokesman for the Newark Housing Authority, says the agency did not direct local residents or applicants to Pennsylvania. But, he adds, "we certainly understand that if there are people desperate to find affordable housing, they will look beyond what Newark will provide."

A curious trend

It was about a year ago that the Altoona Housing Authority began getting six to eight calls a day from New Jersey residents seeking applications for subsidized housing, Executive Director Cheryl Johns says.

She found it curious that those seeking to move here had no idea where the city was.

When she finally asked an applicant why she was interested in Altoona, the caller said her welfare case worker had referred her. Johns decided to take action. "When I have almost half of the people on my waiting list from the New Jersey area, it's an issue," Johns says.

She contacted a state senator whose office tracked down two fliers, posted in a Newark welfare office, that gave the phone numbers of the Altoona Housing Authority and an apartment development in Williamsport, Pa., that accepted government rental vouchers.

Bruce Nigro, welfare director for Essex County, N.J., says that once he learned of the fliers, he banned them.

A person who qualifies by income for subsidized housing can apply for a unit anywhere, says Donna White, a spokeswoman for the Department of Housing and Urban Development, but most people stay in their local communities. Of the 1.8 million families in the rental subsidy program, 7%-10% get a voucher in one area, then use it in another, she says.

In Altoona, roughly 20% of the population qualifies for subsidized housing based on income, Johns says. Local residents get priority. Waiting lists range from 18 months to two years.

"We're not trying to discriminate against anyone," she says, but "I'm responsible for taking care of the residents of the city of Altoona."

More drug trafficking

Some Altoona residents and public officials blame an increase in drug crime on recent arrivals from New Jersey and other states.

John Grum, 48, says the city should not offer subsidized housing to out-of-towners "or at least get a good background check on them before they do." Those committing many of the crimes are "from Pittsburgh, Philadelphia, New Jersey. They're not Altoona people."

Kevin Harley, spokesman for Pennsylvania Attorney General Tom Corbett, says that in the past five years, drug dealers from larger cities have moved into smaller cities such as Altoona "where they can essentially be a big fish in

a small pond."

Since January 2005, he says, more than 600 street-level drug dealers have been arrested in Blair County, which includes Altoona.

Robin Moore says such statistics have nothing to do with her. "My daughter's a productive member of society," she says. "My husband is, and I am, so even if it's just us three, that proves right there that (not) everybody from Jersey is ... into drugs and crime."

Moore was paying \$795 a month for a two-bedroom apartment in Newark when she called the Altoona authority in January 2006.

She won't say what she pays in Altoona, but her family lives in an apartment that's larger yet cheaper than their last home in Newark.

Her husband, Corey, is a groundskeeper. Moore, a former customer service representative for a computer services firm, is looking for work and heads the tenants council in the 170-unit complex.

She says she knows some Altoona residents resent her presence. But sitting with her front door open, her children playing outside near picnic tables, she pays it no mind.

"I didn't even allow my kids to go outside when we lived in (Newark public) housing, though we had a playground," she says. "The drug dealers had taken it over. ... I know what my purpose is for coming here."

Find this article at:

http://www.usatoday.com/news/nation/2007-07-15-altoona_N.htm

☐ Check the box to include the list of links referenced in the article.

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<http://www.latimes.com/news/local/la-me-bids28jul28,0,5337110.story?coll=la-home-center>
From the Los Angeles Times

L.A. official steered work to relatives

Nearly \$800,000 in contracts, often with inflated prices, went to family and firms with political ties, data show.

By Ted Rohrlich and Jessica Garrison
Times Staff Writers

July 28, 2007

A high-level manager for the Housing Authority of the City of Los Angeles directed nearly \$800,000 in contracts to his brothers and three politically connected firms without competitive bidding or after rigged contests, a Times review has found.

The manager, Victor Taracena, oversaw more than 150 contracts worth about half a million dollars that went directly to companies his brothers created, contract files show.

Seven other contracts worth \$289,000 were awarded to non-family firms, two of which had little or no expertise in the work they were hired to do.

These firms — all with ties to current or former Los Angeles City Council members from the Eastside — won their contracts in bidding processes fraught with irregularities. In one case, a losing bid was submitted by a nonexistent company. Other such bids came from actual companies which, when contacted by The Times, said they were surprised to learn that bids had been submitted in their names.

Some purported bidders did not correctly spell their own names. And legitimate firms said their stationery had been obtained under false pretenses or fabricated.

"No, no, no, no," said George Sihvonen, a civil engineer who, contract files show, bid unsuccessfully on several jobs. "I haven't submitted any bids.... Those are not my doing at all. Somebody else has used my name."

The contracts involved design and construction of facilities to accommodate disabled people: wheelchair ramps, toilets and grab bars in city housing projects.

In numerous instances, the city housing authority appears to have overpaid for the services, based on comparisons with its counterpart in the county.

The overpayments — amounting to more than \$130,000 for toilets and grab bars alone — mean that scores of disabled residents may have to wait longer for their apartments to be made appropriately accessible, officials said.

The authority is responsible for providing housing to about 60,000 of the city's poorest families. Though governed by a commission appointed by the mayor, the authority is a free-standing agency primarily funded by the federal government.

Taracena, who was recently fired from his \$104,000-a-year job after a housing authority investigation, declined to comment, but his attorney, Marshall Rubin, said his client denies any wrongdoing. He would not elaborate.

Officials at the authority said they had referred Taracena's case to the Los Angeles County district attorney's office for possible prosecution.

David Demerjian, who heads the district attorney's public corruption unit, said no decision had been made on whether to file criminal charges.

The bid-rigging comes at a time when the housing authority is grappling with the consequences of a series of mismanagement and corruption scandals that three years ago had the agency on the brink of federal receivership. The agency no longer faces that danger.

Many agency leaders were swept out in the midst of a federal investigation into allegations of a kickback scheme. No kickbacks were proved.

The agency's current director, Rudolf Montiel, said he has spent much of the last few years working with the U.S. Department of Housing and Urban Development to root out corruption. Dozens of staffers have been fired or placed on leave. Several have been referred to the district attorney's office for criminal prosecution.

Taracena, who was hired in August 2003 as a construction project manager, was given the responsibility of bringing the city's 15-plus housing projects into compliance with the Americans With Disabilities Act. He was repeatedly promoted and by January 2006 placed in charge of all the authority's design and construction, reporting directly to Montiel.

Shortly after he was hired, according to contract files obtained under the California Public Records Act, he began steering jobs to family-owned construction and design companies. County records suggest that the companies did not exist until they began receiving contracts.

The firms — Pratt-Jennings-Holmes, Decker & Durden, Trevor and Associates, and So-Called Artists — are registered in the names of either Bennett or Diego Taracena, Victor Taracena's brothers.

Bennett Taracena declined to be interviewed. Diego Taracena did not respond to a written request for comment.

Contract files show that the brothers' firms won 94 out of the first 100 contracts that Taracena handed out. Most of the jobs were for just less than \$2,500 — then the limit for jobs Taracena could award at his discretion without soliciting bids.

Although the contracts were small, the authority often paid far more than necessary.

For instance, the authority paid nearly \$2,500 each to install 20 toilets for disabled people in projects around the city. By comparison, the Los Angeles County Housing Authority would pay about \$620, said Geoffrey Siebens, a construction manager there.

Similarly, Taracena authorized installing grab bars in bathrooms of nearly 50 housing units, paying nearly \$2,500 for most sets. Siebens said the county usually pays one-tenth that.

Moreover, records show that firms connected to Taracena's family sometimes double billed.

Early last year, to streamline the contracting process, the housing authority raised the limit that managers could award at their discretion to \$25,000. For awards between that and \$100,000, managers were required to solicit quotes from at least three contractors. Amounts higher than \$100,000 required a more formal process involving advertising for bids.

About the same time, Taracena began awarding larger contracts not only to family companies but to the three politically connected firms on the Eastside, each of which received payments of just less than \$100,000.

Representatives of two of the firms — the Estrada Courts Residents Management Corp. and Grande Vista Associates — denied any knowledge of rigged competitions. "I'm just happy that I got a contract," said Gustavo Valdivia, head of Grande Vista.

The head of the third, KV and Co., did not respond to repeated requests for comment.

The Estrada Courts group, a nonprofit run out of an Eastside housing project, received four contracts collectively worth about \$95,000. Headed by Abraham Paez, it already had government contracts to provide security guards and day-care programs at some projects.

Paez became an important player in internal housing authority politics a few years ago when he, with former Councilman Richard Alatorre, helped oust a previous assistant director at the authority suspected of taking kickbacks from a contractor, although the kickbacks were not proved and she was not charged.

Alatorre also has served as a paid consultant to the Estrada Courts group and the housing authority.

Without construction and design experience, the Estrada Courts group subcontracted its work to firms Taracena recommended, Paez said. At least one of the subcontractors was Pratt-Jennings-Holmes, created by Bennett Taracena.

Grande Vista, headed by political consultant Valdivia, a former member of Councilman Jose Huizar's staff, landed a \$98,895 contract.

And KV and Co. won two contracts worth \$95,230. The sole contractor among the three firms to have design expertise, it is headed by a man named John Kanounji (misspelled as Janouji in the bidding documents).

The three contract winners share various connections, not just with City Hall, but with one another. For instance, Valdivia sublets an office from Paez's Estrada Courts group. Paez and KV have been clients of former Councilman Nick Pacheco, who is Paez's attorney and KV's registered agent.

For the larger contracts, Taracena appears to have created a complex paper trail suggesting he followed the protocol of soliciting the minimum three bids required.

Interviews, however, suggest the process was nearly always fixed to make sure the politically connected firms won.

"That's my stationery. But I didn't bid this at all," said construction company owner Dick Boranian, whose firm was listed as an unsuccessful bidder. Boranian said he had submitted his firm's stationery to the housing authority to win an earlier job. But on this purported bid his name was misspelled, appearing as "Bodijian."

Sihvonen, the civil engineer who insisted he did not bid, said the stationery used in bids attributed to his firm had the wrong address — one that did not exist. Sihvonen said he once employed Taracena and, over the years, Taracena had hired him for small private jobs not involving the housing authority.

Other people whose stationery was used had ties to the Estrada Courts group or Valdivia, the political consultant, rather than Taracena.

Estelle Campbell, an interior designer who owns the building where Estrada and Valdivia have their offices, was one of them.

Files show she submitted a losing bid for the job Valdivia won.

But she said she never bid.

"I'm appalled," she said when shown a copy of the bid made in her name. "Those slugs."

Campbell recalled giving some of her stationery to an Estrada Courts employee, Phillip Chavez, at his request.

She said the request came after she and her partner spoke with Chavez about doing work with the housing authority. She never did any.

Chavez said he did not remember receiving stationery from her and had not submitted a bid in her name.

At least one of the losing bidders said he offered stationery to someone he thought was working on his behalf — Valdivia of Grande Vista Associates.

Ray Levert, who owns a construction firm in Downey, said he hired Valdivia to help him resolve problems related to a project in Whittier. Valdivia asked him, he said, whether he would be interested in obtaining housing authority contracts. He said Valdivia helped him bid. Levert said he would give Valdivia estimates for jobs which, as far as he knew, Valdivia would refine and then submit to the authority on Levert's stationery.

Levert said he never won.

But records show Valdivia did — by underbidding Levert.

"Is that unethical?" Levert asked, when shown the paperwork.

Valdivia acknowledged that Levert was a client on an unrelated project in Whittier but denied submitting bids to the housing authority on Levert's behalf.

In one case, documents and interviews show, a company that bid repeatedly does not seem to have existed.

Files show that someone named "John Vargas" of "Vargas Designs" submitted bids and gave a Highland Park address. There is a drafting firm at that address, but the father and son who run it say they have never heard of John Vargas.

A review of public records also turned up no Vargas at that address.

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(INFOBOX BELOW)

The \$2,500 toilet*

A comparison of expenses paid by the city and county housing agencies.

- Price per toilet paid by the Housing Authority of the City of Los Angeles: \$2,445.
- Price per toilet paid by the Los Angeles County Housing Authority: \$620.
- Price per grab bar paid by the city: \$2,000 to \$2,500.
- Price per grab bar paid by the county: \$250.

*Prices cover removal of an old toilet and installation of a new one that meets Americans With Disabilities Act standards in apartments in public housing projects. The city had a \$2,500 ceiling for no-bid contracts that could be awarded by managers at their sole discretion.

Source: Los Angeles city and county housing authorities

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(INFOBOX BELOW)

An unreal bid

-

Housing authority files show this bid for about \$100,000 in construction design work at three housing projects was submitted in the name of civil engineer George Sihvonen. But Sihvonen said he never made the bid.

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Other bidders for this contract listed in city housing authority records included:

Republic Services Group, whose owner said he did not submit the bid.

Estelle Campbell, who also said she did not submit the bid.

KV and Co., whose bid was submitted in the name of a nonexistent executive.

Vargas Designs, a company that apparently does not exist.

West Coast United, whose owner said he submitted a bid through his political consultant, Gustavo Valdivia, an assertion Valdivia denied.

Valdivia's firm, Grande Vista Associates, which won the bid.

Estrada Courts Resident Management Corp., from whom Valdivia sublets

office space.

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Sources: Housing Authority of the City of Los Angeles, Times reporting

If you want other stories on this topic, search the Archives at latimes.com/archives.

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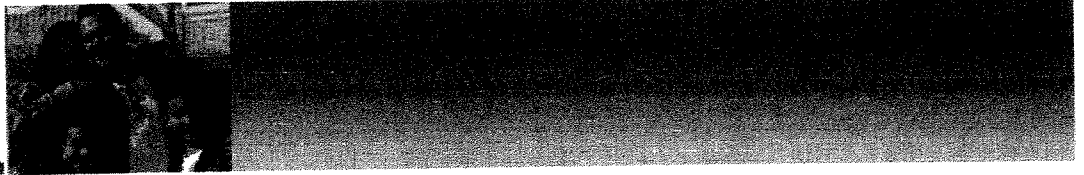
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From the Los Angeles Times

City official calls for audit of Housing Authority

The agency places three employees on leave during an investigation of possible bid-rigging and the installation of overpriced bathroom fixtures.

By Jessica Garrison and Ted Rohrlich
Times Staff Writers

August 1, 2007

City Councilwoman Janice Hahn called for an audit of the Housing Authority of the city of Los Angeles, citing a Times report last week pointing to bid-rigging and installation of pricey toilets.

"I am constantly fighting to get more funding for services, like summer jobs and community center hours, for the residents of our housing developments. Now I read in the L.A. Times" that the authority "has spent \$2,500 on a toilet. This is frustrating and disturbing," Hahn said.

Separately, City Controller Laura Chick announced that she already had planned to send auditors to the department to determine what parts of the agency need further scrutiny.

Meanwhile, the housing authority placed three employees on leave late Monday while their involvement in the scandal is investigated, sources said. The three were not identified.

The developments follow an article in The Times on Saturday about a housing authority manager who directed about \$800,000 in contracts to his brothers and three politically connected firms without competitive bidding or after rigged contests.

The manager, Victor Taracena, was fired earlier this year after housing authority officials investigated his contracting practices. His case was referred to the Los Angeles County district attorney for possible prosecution.

Taracena's attorney, Marshall Rubin, has said that his client denies wrongdoing. Rubin on Tuesday declined to elaborate, saying he had not recently had a chance to speak with his client.

The newspaper also found that the authority overpaid for many items — about four times more than the county housing authority does to buy and install toilets and about 10 times what the county agency pays to buy and install grab bars. The overspending on those items alone cost the agency more than \$130,000.

The installations were intended to make public housing more accessible to disabled people and the overspending could delay some projects.

Housing authority Executive Director Rudolf Montiel said he had spoken with Hahn and looked forward to working with her and the controller, Chick. But he defended the agency's financial controls.

Even the tightest controls, he said, won't "keep opportunistic employees from defrauding the agency. It happens here and it happens ... all the time in other city agencies."

Montiel came to the agency three years ago in the wake of a series of mismanagement and corruption scandals that had the agency on the brink of federal receivership.

He said he has moved aggressively to reform the agency's financial procedures and improve its practices. Dozens of staffers, including Taracena, have been fired or placed on leave. Several have been referred to the district attorney's office for criminal prosecution.

But Hahn, whose district includes housing projects such as Nickerson Gardens and Jordan Downs, said she believed the authority needed more scrutiny from city officials.

The authority, a free-standing agency run by a mayor-appointed commission, receives almost all its funding from the federal government.

But Hahn said that when the authority cuts programs or wastes money, the city sometimes must step in. Her motion noted several examples. In 2002, the Los Angeles Police Department had to step up patrol of the city housing projects after the authority cut its police force.

More recently, she said, city officials have had to push the authority to keep computer labs and community recreation centers at the projects open after cuts.

"Is there really a lack of funds or are they just being spent on the wrong priorities?" she said.

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ANTHROPOLIS VALLEY PRESS
AUG 19, 2007

Section 8 renters face cutoff

By VERONICA ROCHA
Valley Press Staff Writer

LITTLEROCK — Nine Section 8 recipients will be recommended for termination from the housing subsidy voucher program after sheriff's deputies and investigators Wednesday conducted compliance searches of their homes.

The recipients face termination for unfit living conditions and allowing unauthorized tenants and individuals on parole or probation to reside inside the homes, said Investigator Lee D'Errico of the Los Angeles County Housing Authority.

Deputies set out Wednesday to search 11 homes in order to determine whether the Section 8 recipients who lived there were complying with the rules and regulations of the Housing Choice Voucher Program.

About 9 a.m. Wednesday, deputies from the Los Angeles County Sheriff's Department COPS Bureau, Palmdale Sheriff's Station deputies, Deputy District Attorney code enforcement investigators and a Housing Authority Section 8 investigator descended upon a home in a quiet Littlerock neighborhood in the 10100 block of East Avenue S-6.

Before Wednesday's search, deputies had been issued a warrant to search the home in connection with credit card fraud and the manufacturing of credit cards, said Deputy Robert Ferrell of the Palmdale Sheriff's Station.

A 23-year-old woman who was at the home was arrested on suspicion of credit card fraud. The woman is on probation for a narcotics violation.

The woman's parents are Section 8 recipients. Under Section 8 regulations, recipients are forbidden to allow individuals on probation or parole to reside inside their subsidized rental. Section 8 recipients must provide the Housing Authority with a list of people who reside at the home, and those individuals must be authorized by the Housing Authority.

"She claims she doesn't live here," Ferrell said.

Deputies found the woman's booking sheet, in which she wrote that she lived at the home's address.

The woman's disabled father told deputies that his children were taking advantage of him and his wife, and that he wanted them out of their home.

D'Errico said the parents would be moved to possibly a one-bedroom apartment at a retirement community to ensure their children do not attempt to reside with them.

"We are going to move the parents, who truly need the program, to a more suitable home," D'Errico said.

Deputies ordered the woman to

"We are going to move the parents, who truly need the program, to a more suitable home."

— Investigator Lee D'Errico, L.A. County Housing Authority.

leave her parents' home Wednesday.

If a Section 8 home has several building or health violations, the code enforcement investigators will record the violations and possibly return to the home with Los Angeles County's newly established Nuisance Abatement Team.

Wednesday's search was the first in a series of searches the Sheriff's Department has planned.

"People were cooperative," Ferrell said. "We didn't have to argue with anyone."

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Number of poor growing in city

This story appeared in the Antelope Valley Press on Sunday, August 12, 2007.

By MARISSA BELLES
Valley Press Staff Writer

LANCASTER - In the last six years Lancaster residents have gotten poorer and richer.

According to the U.S. Census, in 2005, 21.6% of Lancaster residents lived below the poverty line compared to 16.4% in 1999.

Between 1999 and 2005, the number of households making less than \$15,000 increased 18%, the number of households making more than \$100,000 also increased 10% to 15%, and households making between \$30,000 and \$60,000 decreased 2% to 3%. Despite an increase in median household income to \$44,277 from \$41,127, the gap between the wealthy and the very poor is widening.

Research done by the Brookings Institution, a private organization devoted to analyzing public policy issues, shows a nationwide trend of poverty spreading from urban cores such as Los Angeles into suburbs.

In an analysis conducted by Alan Berube and Elizabeth Kneebone of Brookings that looked at the nation's 100 largest metropolitan areas, in 1999 large cities and their suburbs had nearly equal numbers of poor individuals, but by 2005 the suburban poor outnumbered their city counterparts by at least 1 million.

Madeleine Stoner, an urban affairs expert from the University of Southern California, said much of the suburban poverty is related to the working poor.

"We aren't talking about the old inner-city poverty where people are dependent on welfare," Stoner said. "The questions then becomes about the people who are working and poor." Stoner said the common problems involve family dysfunction, which can lead to at-risk youth, runaways and gang behavior.

According to the Census, in 2005, 52% of those in poverty are children, 17 and under, and 55% of those in poverty are female.

"It's quite tragic because people moved into the Antelope Valley and other places throughout the country to get away from the blights of the city and to have better opportunities for their families," Stoner said. "Now they are facing the same problems. ... Poverty is noxious no matter where you live."

Steve Baker, executive director of Grace Resource Center in Lancaster, said his local nonprofit agency is seeing more homeless families than ever before.

"We have a lot of working poor here who are one step up from homeless," Baker said. "Affordable housing is a big issue. Rents have tripled in the last five years, so what do you do?"

Mayor Henry Hearn said he believes commercial development will close the gap between the very wealthy and the very poor within the next three years.

"If we start moving on some of these retail developments we got going on, they will provide the jobs we need," Hearn said. "When people have jobs, they can start moving out of that lower-income bracket and begin providing support for their family." Stoner said that approach is shortsighted because those types of jobs don't provide the income needed for a household to survive.

"Retail development is another big-box store that hardly pays," Stoner said. "Looking at the data, these are not two-person households, but a lot of single mothers with children,"

Vice Mayor Andy Visokey said it would be more beneficial to work on industrial development so the city could have the higher-paying jobs.

"Commercial development is important, but if people don't have good-paying jobs, they won't be shopping anyway," Visokey said.

Lancaster's economic development department has taken steps to reach out to local schools and prepare students to enter the 21st century work force. The city formed Lancaster Apprentice Development and Deployment for Economic Revitalization, which creates a connection between the high school district, Antelope Valley College's technical programs and local businesses.

Lancaster also is unveiling its Strong Neighborhood Initiative, which began with an in-depth evaluation of the city's neighborhoods. A notebook was filled with maps, each showing a snapshot of Section 8 rental housing, crime and poverty, which city officials are translating into a road map of revitalization and action plans.

"We expect this to go before the council within the next month or so," City Manager Bob LaSala said.

Palmdale adopted a holistic approach through Partners for a Better Palmdale. The program expands on the city's 15-year-old Partners Against Crime program with measures that include increasing the involvement and training of community volunteers, expanding youth-activity and parenting programs.

"This is the Antelope Valley's time to build the social infrastructure it needs to protect the future," Stoner said. "Outreach is a key element and it looks as though Palmdale is at least trying."

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picture now, along with Taracena.

But the larger problem remains: a ghostly city agency with an invisible but important clientele. How to remedy this? Confusingly, LA has two housing agencies, the Housing Authority, which handles public-owned housing and the Housing Department that supervises non-city-owned rental housing.

The Housing Department certainly isn't perfect, but it get a lot more public attention and scrutiny. Maybe it's time to deconfuse things--to fold the two together into one big city housing entity. The arrangement would fit in with the purported rental housing priorities of the Villaraigosa administration. And maybe keep a little more light on this perennially underlit area of Housing Authority-ruled housing.

Such a merger would also help de-ghettoize LA public housing itself, by making it a part of the much larger, more visible world of City supervised rental housing in which most Angelenos live. Which, after all is what it's really been all along.

(Marc Haefele has been covering LA politics for 25 years for the LA Weekly, KPCC Radio and is an occasional contributor to the Los Angeles Times' Op-Ed Page. Haefele writes this weekly column for CityWatch.) _

Close Window

Haefele at Large - Time to Bring Public Housing into the Tent?



By Marc B. Haefele



The 60,000 people who live in LA's 16 public housing projects are usually invisible to most of the rest of us.

Sure, we can drive past Aiso Houses, or Nickerson Gardens' broad lawns and worn deco apartment blocks and think, "Hey, it doesn't look as bad as I thought," while also admitting, "I'm sure glad I don't live there." To be fair, we also drive past a lot of the newer, more attractive Housing Authority sites without realizing that's public housing, too.

But on the whole, we simply don't notice the publicly housed. There are good reasons for this: They comprise well under two percent of the city's population. And they are scattered over far-flung locations in this most far-flung of cities. We presume, rightly or wrongly, that they contain a high proportion of fatherless families, a high rate of gang activity, a low rate of high school completion, so we think of people in public housing as symbolic of all that's wrong with our society. The people who live in public housing may have little choice in being where they are. But we can make matters worse if we choose to ignore them. Usually, though, we do. And they suffer accordingly.

Los Angeles is the only city I can think of in America that rejected public housing for purely ideological reasons back when most of it was being built: hence it has less public housing per capita than most other large cities. Veteran Folk-Rocker Ry Cooder recently retold the story of this rejection in his fantastic musical history-revue of Chavez Ravine, which 55 years ago became LA's public-housing Battle of the Marne. And after that, Our Fair City simply made itself safe from Commies and housing activists, not that there was, in those days, any real distinction made between the two.

Despite this, some public housing already existed and more public housing did get built. And to oversee it, there was mandated a Los Angeles City Housing Authority. Which became, over half a century, one of the most frequently corrupted agencies in the entire city government.



It's something like 22 years since I attended my first LA Housing Authority board meeting. It was also my last: the problem being that, since no one cares about the publicly housed, this panel isn't on anyone's beat. As I recall, the order of that evening meeting was the ouster of a general manager on corruption charges. I've lost track of how many high level ousters there've been in that agency since.

This time, though, it wasn't a top level person. It was a construction manager named Victor Taracena, who was alleged to have fixed high-priced non-bid contracts for his brothers and friends. About \$800,000 went out the door that way, meaning that this money wasn't used to fix many things that desperately needed fixing in City housing projects. To his credit, current housing authority director Rudy Montiel rooted out this corruption himself and got Taracena fired. Involved in the mess was something called the Estrada Courts group, a supposed nonprofit located in that Eastside housing project. It received four contracts collectively worth about \$95,000. and is headed by one Abraham Paez, who has worked with former 14th District Councilman and perennial City Hall bad penny Richard Alatorre. Former 14th District Councilman Nick Pacheco is lawyering for Paez. So Estrada sounds a bit like an official 14th District franchise. Let's just hope it's out of the



<http://www.latimes.com/news/opinion/la-op-kotkin12aug12,1,3406838.story>
 From the Los Angeles Times

Why the rush to Manhattanize L.A.?

There seems to be little public debate about the dramatic remaking of Los Angeles into a left-coast New York.
 By Joel Kotkin

August 12, 2007

Last week, the City Council voted 12 to 0 to approve a sweeping set of zoning changes that will encourage larger and more dense development downtown.

The new rules are only the latest move toward the Manhattanization of Los Angeles. There's also the renewed interest in extending the Red Line subway to the ocean. And there's billionaire Phil Anschutz's plan to create a Times Square for Los Angeles near Staples Center, as well as billionaire Eli Broad's aim to duplicate New York's 5th Avenue along Grand Avenue. There's even talk, in planning circles, of building mini-condos and apartments at -- what else? -- Manhattanite sizes of 250 to 350 square feet.

Los Angeles, the first great modern metropolis with multiple urban cores, seems determined to remake its urban DNA -- and fashion itself, to one degree or another, in the image of New York City. Bruce B. Brugmann, the populist publisher of the San Francisco Bay Guardian, coined the term "Manhattanization" in the 1970s to describe just what we're seeing. Broadly speaking, it refers to a vertical urbanism in which the entire city serves as a bedroom for a dominant urban core that is chock-full of cultural attractions. Density is a premium value in a successfully Manhattanized city, producing economies of scale, extraordinary concentrations of skills and an entertaining street scene. Human activities are more important than sunlight, nature or individual privacy.

Such development is peculiarly suited for Manhattan Island, a geographically constrained and remarkably stable lump of rock on which the city grew rapidly in the heyday of water and rail transportation. It's not so clear, however, that L.A., which has been expanding outward for more than 100 years and is famously sun drenched, car crazy, blessed with natural beauty and earthquake prone, should follow a similar course.

At the very least, such a dramatic change should be the topic of serious debate among politicians, city officials and the public. But so far, the debate about higher density in L.A. has been as contentious as public discussions in the former Soviet Union.

Why is this happening? One reason for the city's apparent lock-step march to Manhattanization is that big developers are increasingly dominating and politicizing land-use decisions, much as they do in New York City. The \$4-billion "Atlantic Yards" project in New York is an example. The proposal would add about 6,500 mixed-income residential units to the generally low- and mid-rise environment of downtown Brooklyn, making population density in the area among the nation's highest. Despite intense grass-roots opposition, developer Bruce Ratner and his ally, Mayor Michael Bloomberg, have won at least \$500 million in subsidies for the project.

"You can't stop [big developer] interests unless you have equally powerful interests on your side," said urban historian Fred Siegel.

Similar developer-driven politics is becoming increasingly common in Los Angeles as well. Land and politics have a long history in the city. But many smaller builders -- people who constructed tract housing or apartments in

the 1970s and 1980s -- no longer can play today's complex political game, involving government subsidies, "air rights" to allow more high rises and inclusionary zoning that requires below-market units in new projects. One retail developer told me that he and others like him prefer to build in such places as San Fernando, Burbank and the Inland Empire, where "the development game" is not as complex and politically determined.

That leaves the field largely to big developers with deeper pockets, more lawyers, better political connections and diversified interests that enable them to wait out the city regulatory process. "A decade or two ago," said Robert Scott, who served on the Los Angeles Planning Commission from 1993 to 2003, "you could still build pretty much by the existing code. But the process has become less and less accessible" to smaller players.

In part, that's because city policies have promoted, at least in principle, such social goals as affordable housing and "smart growth" -- building condos and apartments near commercial areas and transit lines. But the side effect of these policies has been to make the development process impenetrable to all but the most well-heeled, Scott says.

What opposition there is to Manhattanization is relatively isolated -- like the citizen recall effort against Westside City Councilman Jack Weiss, who is considered by some of his constituents to be too friendly with big developers. Weiss alienated them when he embraced construction of two 47-story condominium towers in Century City, calling the project a perfect example of smart growth. Homeowner groups strongly opposed the development because they contended that it would add to already heavy traffic congestion in the area. (Chicago-based JMB Realty, the project's developer, eventually agreed to create a \$5-million fund to soften the environmental effects of the towers, and a dispute about who controls it sparked the recall effort against Weiss.)

But only a handful of local politicians -- including, most notably, Supervisor Zev Yaroslavsky -- seem to recognize that some Angelenos think that adding density to our already crowded region won't necessarily improve the quality of life. He recently told a gathering of neighborhood councils that "the gulf" between City Hall and the community over land use and development "gets wider every day."

The paucity of official opposition to Manhattanization reflects, in part, changes in L.A. politics. As recently as the 1990s, the city's political scene was a fractious game, with distinct voices representing different neighborhoods, ethnic groups, labor and business associations. Opposition to further high-density development was particularly strong in the San Fernando Valley. There, such grass-roots-oriented City Council members as Joel Wachs and Ernani Bernardi paid more attention to the interests of their constituents than to those of developers and unions. Bernardi, for instance, was a constant foe of the city's redevelopment agency, which long promoted high-density growth, and he and Wachs often challenged downtown development proposals tied to taxpayer subsidies.

Today, small developers, who often had local supporters, are out, and citywide and national players are in. Prime examples are New York-based Related Cos. (Grand Avenue), Anschutz Entertainment Group (L.A. Live), JMB Realty (condo towers in Century City), Astani Enterprises (downtown condos), J.H. Snyder Co. (NoHo Commons), as well as the shopping-mall giant Westfield, which has proposed building in the west Valley what would be one of the largest malls in Southern California.

These companies, along with other developers, have become substantial contributors to the campaigns and causes of local politicians. Mayor Antonio Villaraigosa's campaign to control the L.A. Unified School District, for instance, was a recent beneficiary. Because it was an issue campaign (rather than a political race), there were no limits on contributions, and many big developers with projects pending or already underway in the city were generous in their giving.

For example, Anschutz Entertainment Group (AEG) gave \$125,000 to the mayor's Committee for Government Excellence and Accountability, set up to lobby for a bill that would have given him significant control over L.A. Unified, and to Partnership for Better Schools, which spearheaded Villaraigosa's successful drive to win a majority on the school board. Other contributors to the two committees included developer J.H. Snyder Co. (\$100,000); AP Properties, a JMB Realty affiliate (\$100,000); Astani Enterprises (\$100,000) and Westfield (\$100,000).

Term limits also may encourage developer-driven politics. Before voters limited their time in office to two

consecutive four-year terms in 1993, council members often represented their districts for decades without having to worry much about challengers. Bernardi, for instance, served 32 years on the City Council.

But in the era of term limits, ambitious council members facing the end of their terms have to begin fundraising for their next race for elected office almost immediately after election day. Given the high cost of modern campaigns, they have no incentive to alienate wealthy developers who could bankroll them. True, individual contributions to political campaigns are capped. But big developers have subcontractors, lobbyists and lawyers who can add even more dollars.

This may partly explain why the City Council -- even those members who represent the Valley and South Los Angeles and might logically be skeptical about subsidies for downtown developers -- has largely bought into the mayor's vision of "elegant density" to keep pace with rising demand for housing. For instance, not only did council members vote 12 to 0 on last week's zoning overhaul, but earlier this year, the vote to lease public land and grant about \$66 million in tax breaks over 20 years to the developer of the Grand Avenue project was 13 to 0 by the City Council and 4 to 1 by the L.A. County Board of Supervisors. And in 2005, AEG received \$270 million in financial help from the city for L.A. Live. The vote: 14 to 0.

There is nothing necessarily wrong with unanimity. The problem is the lack of rigorous debate or much public discussion. For instance, the council's decision last week to change downtown's zoning rules involved virtually no debate at all.

Ever higher density downtown -- and in other parts of the city -- may be one answer for L.A.'s housing shortage. Although it's hard to see studio or one-bedroom apartments as a big help for working- or middle-class families.

But the current Manhattanization poses many risks. Traffic congestion is likely to get worse before it gets better because the city's transit system is not sufficient to get people out of their cars now or in the immediate future. Too much construction of expensive high-density space, particularly downtown, could create a glut, which could dampen prices and force developers to seek renters rather than buyers. Already, the trend is toward rentals, rather than sales, in the downtown market.

Ultimately, it comes down to whether Los Angeles will have a serious debate about where it is headed. Jumping blindly on the Manhattan express, without considering the implications for the city and its many great neighborhoods, is not a promising first step.

Joel Kotkin is a presidential fellow in urban futures at Chapman University. He is author of "The City: A Global History" and is working on a book about America's future.

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necessary to maintain public housing stock.

When Congress returns from vacation in September, lawmakers will attempt to resolve capital funding differences in S 1789 and HR 3074.

While proposed capital fund allocations are comparable in the congressional bills—\$2.5 billion in the Senate and \$2.438 billion in the House—the totals reject the much lower \$1.967 billion requested by HUD/Office of Management & Budget (OMB).

The difference likely will be used by the Bush administration as part of a veto excuse, maintaining it helps exceed the administration spending cap. Public housing maintenance, as well as operations, has been crimped by an administration intent on marginalizing public housing in favor of homeownership.

Language in S 1789 would require HUD to update PHA capital needs with a new study to project annual costs to adequately maintain the public housing portfolio.

While HUD acknowledges such a study is needed—the last assessment has been outdated for some time—there is a major question of whether the department has the resources and manpower to tackle such an undertaking, considering its present inability to assess PHA performance.

In another area, HUD is under OMB order to determine if the cost of public housing per unit continues to be cheaper than the per-unit cost of a Sec. 8 housing voucher.

AFFORDABLE HOUSING

California Tops Unused Tax Credits

The Internal Revenue Service issues the amounts of unused low-income housing tax credit carryovers for the present calendar year with California receiving the largest allocation—\$851,151.

Forty states share in \$6.375 million of unused LIHTCs under IRS' Revenue Procedure 2007-55.

Info: www.cdpublications.com/docs/3663

LOW-INCOME HOUSING

Altoona, Newark Flap Resolved

Pennsylvania: Altoona Housing Authority (AHA) officials were in a tizzy, swamped with phone calls asking to be placed on the central Pennsylvania city's public housing waiting list.

The problem: Callers were from Newark, NJ, and surrounding Essex County who heard Altoona's waiting list had opened to fill some vacancies.

AHA originally thought the Newark Housing Authority

(NHA), embattled in recent years over mismanagement allegations, was at fault because the NHA public housing waiting list contains about 30,000 applicants with little prospect of housing soon.

After trading sometimes heated letters, both agencies discovered it was the fault of Newark-area welfare officials who had heard of possible housing bounty in Altoona. They posted fliers labeled "low-income housing in Altoona."

The controversy came to a head when Rep. Bill Shuster (R-PA) traded correspondence with New Jersey Gov. Jon Corzine (D), saying referring welfare recipients to a neighboring state is unacceptable.

A HUD official in Newark tells *HAL* everything has returned to normal in both cities.

RURAL HOUSING

\$6.3M For Low-Income Rural Housing

The Agriculture Dept.'s (USDA) Rural Housing Service gives nonprofit, state or local housing finance agencies until end of business on Sept. 6 to apply for loans toward a demonstration program providing revolving loans for preservation of low-income, multifamily housing.

The \$6.3 million in available loans is part of the Sec. 515 USDA Housing Preservation Revolving Loan Fund (PRLF) Demonstration Program for FY 2007.

Unused money at that time must be returned to the PRLF. Loans are usually granted to those jurisdictions having an existing Sec. 515 loan on the property that PRLF is assisting, or those individuals who are transferees of the loan.

Recipients must be unable to bring in enough money to preserve and reuse the existing property using their own resources. And they must be unable to receive needed credit from new sources even if the terms can be easily filled. Any delinquent federal debts would eliminate the jurisdiction from PRLF funding.

Intermediaries receiving money from local jurisdictions or nonprofits have two years to complete their work, unless they are granted a three-year extension. Any remaining money unused after five years must be returned, along with any other funds received through loans as payback.

—Tom Harman

Info: Henry Searcy, Jr., 202/720-1753

ASSISTED HOUSING

Housing Voucher Scam Probe

Massachusetts: Boston Housing Authority (BHA) officials investigate allegations of the illegal sale of Sec. 8

housing vouchers.

Two groups—one involving three men and the other operated by two women—allegedly sold phony Sec. 8 vouchers for as much as \$2,000 each to help families sidestep a long waiting list.

In one instance, a woman who had qualified for Sec. 8 aid, made copies of her voucher and sold the documents to at least five unsuspecting victims for amounts ranging from \$400 to \$1,600.

BHA has submitted its findings to HUD's Inspector General. The authority reopened its waiting list for two weeks last October after a two-year closure. About 7,000 families signed up for the 1,200 vouchers available.

Katrina Homeowners Caught In Squeeze

Louisiana: Homeowners in New Orleans affected by the devastation wrought by Hurricane Katrina in 2005 are caught between a local government intent on bulldozing what's left of their houses and a state bureaucracy lagging in providing financial aid for recovery.

Many homeowners are fighting city resolve to bulldoze from a distance, unable to return until the state provides federal financial aid under a Road Home program beset with bureaucratic entanglements for months.

Only about a quarter of affected homeowners have received aid, compared with more than 90% in neighboring Mississippi, where that state's recovery program proceeded smoothly.

New Orleans officials, intent on enforcing an ordinance giving them power to bulldoze homes and businesses remaining abandoned, moldy or smashed, post more than 1,700 notices of intent to clear such properties.

The notices, consuming 25 pages of the local newspaper, the *Times-Picayune*, last month, say the city will destroy remaining structures 30 business days after posting of the notices.

Officials estimate about 10,000 properties face demolition, including many which incurred little damage but remain abandoned because owners lack the financial wherewithal to repair them.

The only obstacle to demolition is lack of financing. The city needs up to \$10,000 for each demolition and financial aid from the Federal Emergency Management Agency (FEMA) has dried up.

HUD

Katrina Housing Responsibility To HUD

HUD takes over responsibility for rent subsidies for up to

40,000 families displaced by Hurricane Katrina two years ago.

The Federal Emergency Management Agency (FEMA), bogged down in its effort to maintain the disaster housing program long-term, linked with HUD under a pilot Disaster Housing Assistance Program (DHAP) to continue assistance through March 1, 2009.

Now, HUD will manage housing following disaster, a role it insisted on after Katrina. In a turf war with the fledgling Dept. of Homeland Security, with FEMA under its wing, HUD lost.

The resulting chaos prompted the Bush administration to reassess its position and the result is DHAP.

HUD, in turn, will hand off responsibility to public housing authorities (PHAs) in the affected areas. HUD officials are trying to determine how much to pay PHAs to administer the program for the next 18 months.

There is a question whether HUD can handle the new responsibility, considering the department's inability to assess PHA performance or pay Sec. 8 project-based landlords on time.

Families remaining on disaster assistance likely will continue to rely on federal aid through the aid extension, and beyond, even though HUD says it will try to wean families away from federal subsidies beginning next March.

A March Zogby poll of refugee families in Texas, primarily in the Houston area, shows 60% of them have incomes below \$15,000 a year. Another study by the Louisiana Recovery Authority unveiled Aug. 6 shows 81% of the families living in FEMA trailers have incomes less than \$15,000.

Many of those families are eligible for public housing, which won't be available for years while HUD constructs new housing complexes to replace the four major public housing projects declared uninhabitable and slated for demolition.

Info: HUD, 202/708-0980

HEARD AT HUD

Jackson To Take Texas Witness Chair

HUD Secy. Alphonso Jackson will take time from his department duties to testify against former Texas Southern U. (TSU) President Priscilla Slade.

Jackson, former chairman of TSU's Board of Regents, is expected to testify about the university's financial status in 1999, when the school pleaded with the state legislature for financial aid to remain independent.

Slade is accused of financial mismanagement, charged by

INDICATORS

Mortgage Rates Up Slightly

The 30-year fixed-rate mortgage averaged 6.62%, up from last week's average of 6.59%, a Freddie Mac survey shows.

The five-year adjustable-rate mortgage averaged 6.35%, up from last week's 6.33% average.

Meanwhile, the one-year ARM averaged 5.67%, up from last week when it averaged 5.65%.

"Interest rates on prime conforming fixed-rate mortgages ticked up a little in the past week, in line with 10-year Treasury rates movements and retracing part of last week's decline," said Frank Nothaft, Freddie Mac vice president and chief economist.

HOUSING AFFAIRS RATE WATCH

PRIMARY MORTGAGE MARKET

Commitment Rates	7/19	7/26	8/2	8/9	8/16
Fixed Rate	6.73	6.69	6.68	6.59	6.62
Fees & Points	0.4	0.4	0.3	0.4	0.5
15-yr. FRMs	6.38	6.37	6.32	6.25	6.30
Fees & Points	0.4	0.4	0.3	0.4	0.5
1-yr. ARMS	5.72	5.69	5.59	5.65	5.67
Fees & Points	0.5	0.5	0.5	0.5	0.6

SECONDARY

FNMA					
30-yr. FRM*	6.64	6.61	6.56	6.46	6.53
FHLMC					
30-yr. *	6.56	6.46	6.44	6.40	6.40

*Required Net Yields, 30-Day Delivery

Info: FHLMC, 703/903-2446; MBA, 202/557-2737

STATE & LOCAL

* Public Housing Cameras A Flop

California: The 178 federally-subsidized video cameras installed on San Francisco Housing Authority (SFHA) properties have failed to deter crime, police and city officials say.

The problem: Nobody monitors the cameras and film, often grainy during the crime-ridden nighttime hours, is viewed only when police request it from SFHA officials.

The dilemma surfaced during a hearing before the Board of Supervisors' public safety committee, which considered the failure of 70 other city-owned cameras in 25 high-crime locations as well.

An SFHA official tells the panel the authority is unaware of an instance where film aided in the arrest of a murder suspect. Almost 25% of the city's homicides occur on or adjacent to public housing property each year, police say.

SFHA spent \$203,603 to buy and maintain the cameras and plans to install another 81 cameras.

Mayor Gavin Newsom (D) says more police have been added to public housing beats to supplement the cameras in what he termed armed camps.

Affordable Housing Boost

Illinois: Chicago Mayor Richard Daley (D) kicks in \$277 million to help in a \$535 million affordable rental housing construction effort.

The investment is expected to create 2,673 new housing units in 29 city neighborhoods.

The city's share includes \$175 million in equity generated by low-income housing tax credits and bonds, \$63 million in loans and \$39 million in tax-increment financing.

The project balance is financed by the Illinois Housing Development Authority, Federal Home Loan Bank of Chicago, private investors and lenders.

* Guns Banned In PHA Housing

Nebraska: Omaha Housing Authority (OHA) tenants won't be allowed to have guns on public housing property even if the weapon is legal.

OHA officials adopted the rule, which goes into effect Oct. 1, to help curb gun violence. OHA officials earlier barred anyone other than sanctioned authority employees of police officers from carrying guns in shared spaces such as OHA offices, elevators or lobbies.

Tenants caught with guns in apartments face eviction although they won't be prosecuted. The rule doesn't apply to holders of Sec. 8 rental vouchers.

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Residents express concerns on crime

Attendee has seen drugs, dumping, fights

By VERONICA ROCHA
Valley Press Staff Writer

LANCASTER — More than 100 residents came out Thursday evening to a town hall meeting sponsored by the sheriff's station and city officials to express concerns about the increasing presence of criminal activity in their neighborhoods.

In a "take it to the streets" approach, Sheriff's Department and city officials talked to residents in a cul-de-sac at Avenue H-8 and Newtree Avenue about the city's heightened efforts to decrease crime and gang presence in neighborhoods. The meeting was aimed at residents in the neighborhood bounded by avenues I and H-8 and 10th and 13th streets west.

"I have seen a great improvement," resident Reggie Boyd said. "We needed this for a long time."

"It makes me feel safe," she said.

Boyd, who has lived in the neighborhood more than 10 years, said she has witnessed drug sales, illegal dumping and fights. An employee of the Lancaster School District, she doesn't allow her 16-year-old son to walk alone in her neighborhood.

She said she has witnessed crime and has felt helpless, once seeing two teens grab a purse out of a woman's shopping cart at the Val-larta supermarket at 10th Street West and Avenue I.

"If I don't get involved, then I am not being part of the solution," she said.

Boyd said she plans to join a Neighborhood Watch group.

Lancaster Mayor Henry Hearn said he always advises residents to join watch groups and to be suspicious of unusual activity in their neighborhoods.

Hearn told residents he was concerned about crime destroying

the city's neighborhoods not only because he is the city's mayor, but also because he lives in central Lancaster.

At Thursday's meeting, Hearn sent out a message to would-be criminals: "There ain't no place for you to stay unless you intend to do what is right."

City Manager Bob LaSala encouraged residents to talk to city officials if they have problems in their neighborhoods.

"We are here to keep you safe," he said.

The meeting is the first of several expected in neighborhoods around Lancaster in coming months.

Deputies from the Community Oriented Policing Services team in April conducted a door-to-door survey of the 10-square-block neighborhood.

Two-hundred fifty residents provided deputies with their opinions about crime and gangs in their area.

The survey showed people were concerned about gang activity, drug use and speeding traffic endangering their children.

From the residents' responses, the sheriff's station developed 40 tasks and conducted 16 operations, said Lt. Bobby Denham of the Palmdale Sheriff's Station, who commands the Antelope Valley Crime Fighting Initiative.

"This is an unprecedented time for the Antelope Valley," he said.

Deputies made more than 30 arrests in connection with the operations, he said.

Based on the residents' information, Denham said, gang crimes and drug sales in the neighborhood are down.

Last year, he said, the Lancaster and Palmdale sheriff's stations made 19,000 arrests. This year, deputies have already matched that figure.

Denham said he expects the total of arrests by the end of this year to reach 30,000.

Capt. Carl Deeley, commander of the Lancaster Sheriff's Station, said since many residents were upset about speeding traffic in the neighborhood, more traffic officers were going to be assigned to patrol the area and cite traffic violators.

Another door-to-door survey is planned in September in the neighborhood bordered by avenues H and I, 10th Street West and Sierra Highway.

"We are going to stay here until the job is done," Deeley said.

Sheriff's Department officials also are planning stepped-up patrols and investigations using deputies from the Community Oriented Policing Services team and city deputies in the area roughly bounded by avenues H and K, 20th Street East and 20th Street West.

That area will be divided into four parts, each of which will be

assigned a "community-oriented resource and enforcement" deputy to help direct efforts, Deeley said.

"We are not just going to disappear and not come back," he said. "This is an ongoing issue."

The targeted enforcement operation is part of city officials' goal, announced in November 2005, of reducing crime in Lancaster by 30% over the next few years.

"The city has really stepped up in the last year," Deeley said.

Within three years, the city has contracted for 33 deputies to serve at the sheriff's station, he said. Twenty-eight deputies, he said, are in a six-month provisional training period.

"You see a lot of cars out there right now," Deeley told residents Thursday night. "You are going to see a lot more in the future."

Tables with informational packets from city departments, including Code Enforcement, Public Safety and Public Works, were set up for residents, who expressed their concerns about their neighborhoods to officials.

Code Enforcement officials said residents mostly asked about Section 8 homes and how to report unkempt landscapes or home exteriors.

Kurt Gunzel, the city's community building manager, said several residents, who have lived in the neighborhood for many years expressed their frustrations with the negative changes that occurred over time. They said drugs, along with a criminal element, have taken over.

Resident Tracey Lapham said the reason she and her sister, Carrie, moved into the area eight years ago was to live in a 1950s-style neighborhood.

Now, Lapham said her neighborhood, where until two years ago children played ball freely in the street, has turned into a community laden with drugs and gangsters.

She said she is most concerned

about her and her children's quality of life and safety.

As Lapham and her five children crossed a street in her neighborhood recently, a car sped toward them.

She grabbed the children and quickly moved out of the driver's path.

"The kids and I couldn't stop shaking," Lapham said.

Lapham said she and other residents have petitioned for street bumps to reduce speeds in her Newtree Avenue neighborhood. She believes the speeding cars are coming from Boyden and Kingtree avenues, an area in which neighborhood residents say drugs are being sold at a high rate.

Lapham said she looks forward seeing the positive changes in her neighborhood because she said she is tired of watching her community disintegrate.

"It's a great place to raise kids, if they just get all the trash out," she said.

urocha@avpress.com

AIRING ISSUES

At right, Lancaster Crime Prevention Officer Shelli Henson talks with a resident regarding an animal control problem during a community meeting with city and law enforcement officials Thursday evening near Newtree Avenue and Avenue H-8 in Lancaster.
BERNARD KANE
Valley Press



HIDR

CURRENT DEVELOPMENTS

In Housing, Community Development, Finance and Taxation

AUGUST 20, 2007

Vol. 35, No. CD-16

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* Section 8 Project-Based Renewals Facing Critical Funding Shortfall; Up to \$2 Billion May Be Needed

By Joseph P. Poduska

A shortfall of Section 8 project-based renewal funds reached crisis proportions in August as HUD informed housing groups that owners whose projects have contract anniversary dates in the last quarter of fiscal 2007 will receive funding for only 60 to 90 days instead of a full year.

According to estimates, HUD is short from \$1 billion to \$2 billion in budget authority for the fiscal year ending September 30 in funding that is needed for approximately 3,000 contracts.

As a result, fiscal 2007 funding will run out at the end of October, and action by Congress and the Administration will be required to avoid Section 8 mortgage defaults and adverse consequences for tenants.

There are some formidable obstacles to getting additional Section 8 funds. The appropriations subcommittees have already received their allocations of available fiscal 2008 funds, meaning an increase for Section 8 would have to come from somewhere else in the HUD bill, which also funds the Department of Transportation, or, even more unlikely, from another subcommittee.

Moreover, the Bush Administration has already threatened a veto of the House-passed HUD appropriations bill (H.R. 3074) for exceeding the budget request.

The best options for help would be a budget amendment request from the Administration or, more likely, an emergency supplemental appropriation that would not require an offsetting budget reduction. The vehicle for such an emergency appropriation would probably be an Iraq war supplemental which Congress is expected to consider this fall.

Short-Term Funding

HUD has reported that projects with HAP anniversary dates during the first three quarters of fiscal 2007 (October 1, 2006, to June 30, 2007) will have a full 12 months' funding reserved.

However, owners with multiyear contracts with anni-

continued on page 510

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★
WEST

continued from front page

versary dates that fall between July 1 and September 30 or who have a contract that expires during that period will receive a letter from HUD notifying them how much they are being funded and for how many months.

Owners with expiring contracts will be able to renew for one year or several years, subject to appropriations, but will not receive 12 months of funding when the contract is renewed. Instead, they will receive funding for 60 to 90 days, with the expectation that the remaining months will be funded out of fiscal 2008 appropriations.

HUD will provide owners with amended HAP contract language that indicates the renewal period of one year or more but specifies that the funding will be provided incrementally. This procedure is related to an opinion from the HUD chief financial officer that to avoid a violation of the Anti-Deficiency Act, HUD must not provide funds which it did not request and which Congress did not appropriate.

HUD staff has also said that scheduled mark-to-market closings may be delayed for a week or two due to the funding situation. HUD also said that these closings are a top priority and will occur soon.

Estimated Shortfall

The National Leased Housing Association (NLHA) estimates the funding shortfall is \$2 billion for fiscal 2007, while Republicans on the House HUD appropriations subcommittee have estimated a shortage of \$1.8 billion to \$2.6 billion. HUD currently lacks reliable data on the shortfall and is conducting an audit of funding needs, with the results expected to be available in mid-September.

"This is a train wreck for the Section 8 program," said Denise B. Muha, executive director of the NLHA. "There are a lot of reasons for this. Obviously, there were insufficient appropriations, but of course HUD's request was insufficient. And OMB (the Office of Management and Budget) had a lot to do with lowering HUD's budget request."

Some owners may view this situation as a breach of contract, she said. "The bigger danger," she added, "is that projects in markets where they can compete and can pull out of the program are going to do it." Muha said it's difficult for owners to plan ahead with this funding situation. "You can't run a business this way," she said.

In addition to the short-term funding issue, the Section

8 project-based program continues to have a longer-term problem with late housing assistance payments. Several housing organizations have received reports this summer of projects that haven't received payments for months. At times, owners have been unable to make mortgage payments or payroll, but the extent of these financial difficulties isn't known at this time.

Reserve Funds

HUD recently issued a memo directing its multifamily offices to give priority processing to requests for approval to use residual receipts or reserve for replacement funds to meet mortgage and other operating expenses. (For background, see *Current Developments*, Vol. 35, No. CD-15, p. 451.)

In a follow-up August 8 memo providing supplemental guidance, the HUD Office of Asset Management said that the department is allowing inter-company advances so that companies can transfer reserves from a Section 8 property which has reserves to another which does not have enough reserve funds to pay bills. However, these transfers have limited usefulness as most Section 8 projects are owned by single-asset entities.

The inter-company authority was provided so owners affected by HUD's nonpayment of Section 8 subsidies can pay reasonable and necessary operating expenses. The advances must be accounted for on the financial statements for both properties.

The funds can be used for payments on FHA-insured mortgages or HUD-held mortgages, including Section 202 or Section 811 loans and capital advances, and the owner must provide certification that this is being done.

Section 202 Projects

In a related issue, the American Association of Homes and Services for the Aging (AAHSA) has asked HUD to authorize the suspension of all Section 202 mortgage payments on properties that have not received their Section 8 subsidies.

Otherwise, AAHSA said, Section 202 owners would need clarification of whether they should be requesting withdrawals from residual accounts or reserves in order to pay the HUD-held mortgage, or simply expect that once the Section 8 payments are resumed, the mortgage payment will be deducted as it is normally.

AAHSA said that Section 202 owners have been getting conflicting opinions from HUD field offices on what is the correct procedure.

Subsidy Reductions

Originally, HUD planned to phase in subsidy reductions over five years, but proposed to stretch out the cuts over six years to soften the impact of utility cost increases.

The final rules adopt the six-year plan, with cuts of 5 percent of the full reduction in the first year, 24 percent in the second year, 43 percent in the third year, 62 percent in the fourth year, 81 percent in the fifth year, and 100 percent in the sixth year.

Under the revised stop-loss table, PHAs seeking to hold their reduction to 5 percent must submit applications by October 15, 2007, and demonstrate conversion to asset management as of September 30, 2007. The 5 percent reduction will be effective for calendar 2007 and subsequent years.

To limit losses to 24 percent in calendar 2008 and thereafter, PHAs must submit applications by April 15, 2008, and demonstrate conversion to asset management by April 1, 2008.

To stop losses at 43, 62, and 81 percent, applications must be submitted by October 15, 2008, October 15, 2009, and October 15, 2010, respectively, and the demonstration dates are October 1, 2008, October 1, 2009, and October 1, 2010. The 43 percent cut will be effective for calendar 2009 and thereafter; 62 percent, calendar 2010 and thereafter; and 81 percent, calendar 2011 and thereafter.

PUBLIC HOUSING

HUD Announces Takeover of Miami-Dade Housing Agency

HUD notified Miami-Dade County, Fla., on August 7 that it is taking over the Miami-Dade Housing Agency (MDHA), declaring the agency in default of its Section 8 and public housing agreements after finding that it failed to annually recertify many Section 8 tenants and properly account for millions of dollars in fiscal 2002-2006.

Miami-Dade Mayor Carlos Alvarez said the city-county government would seek to block HUD's action in court.

A senior HUD official, Donald J. LaVoy, was appointed as recovery administrator responsible for daily operations. LaVoy has been with HUD 10 years and was involved with establishing the HUD Real Estate Assessment Center.

Investigation of Agency

The MDHA came under investigation by HUD and a local task force last year for mismanagement of funds for the Scott-Carver revitalization project in the Liberty City neighborhood. The investigation was spurred by a series of news reports alleging that millions of dollars had been wasted. A HUD financial review covering 1998 to 2006 found MDHA potentially insolvent due to routine deficit

spending. (For background, see *Current Developments*, Vol. 35, No. CD-6, p. 182.)

Orlando J. Cabrera, HUD assistant secretary for public and Indian housing, said that HUD tried unsuccessfully to negotiate a cooperative endeavor agreement with the city-county government to cure deficiencies and improve operations. Local officials said they wanted more local control and as an alternative, preferred to sign a memorandum of understanding (MOU) which emphasized an equal relationship.

"Local officials have rebuffed us, claiming they are making progress," said Cabrera. "Notwithstanding these claims of progress, HUD has verified that the problems identified by HUD are getting worse, not better."

HUD said that MDHA's own data show that the share of Section 8 tenant reexaminations that had not been conducted in the previous 12 months has increased from 36 percent in January to 40 percent in June.

Miami-Dade Mayor

At a press conference, Alvarez said that local officials believe they have good legal standing to block a federal takeover at least temporarily and will explore their legal options. "HUD continues to point fingers and use words like 'failure' to grab attention," Alvarez said. "To suggest that our problems are getting worse, not better, nothing could be further from the truth."

Alvarez said that starting a year ago, the city-county government has acted to correct mismanagement at the housing agency by hiring a new management team, cleaning up case files, training employees, and implementing new financial processes. "Any suggestion that Miami-Dade County has not made progress is false," he said.

Alvarez said that HUD continues to focus on problems that primarily occurred in 2003, 2004, and 2005. "We acknowledge these deficiencies," he said.

Alvarez said that an aggressive improvement program has been put into place, including the hiring of a contractor to recertify the income of thousands of Section 8 tenants. He said that work on this recertification backlog should be completed by September 30.

Fiscal 2006 financial statements currently under review at HUD show that MDHA made cumulative adjustments of \$7.1 million in the Section 8 program and \$30.3 million for the HOPE VI and public housing capital fund programs to make up for inaccurate accounting in previous fiscal years.

People in the News

DANNA FISCHER has joined the National Low Income Housing Coalition as a policy analyst. From 1989 to 1993, Fischer was counsel to the House housing subcommittee, and from 1993 to 2005, she was with Freddie Mac, where she worked on housing-related regulatory issues.

IDEAS AND TRENDS

PUBLIC HOUSING

HOPE VI Research Finds Vouchers Improved Quality Of Housing, Neighborhoods

An Urban Institute policy brief concludes that residents of HOPE VI developments should be encouraged to use Section 8 vouchers over traditional public housing because of the improved housing and neighborhood quality they can experience in the private market.

The policy brief is based on the Urban Institute's panel study which tracked the living conditions and well-being of residents from five public housing developments where HOPE VI revitalization began in mid- to late 2001.

Researchers surveyed 887 heads of household and conducted in-depth interviews of some families in the baseline year of 2001. A second round of surveys followed in 2003 and a final round in 2005. The response rate for each round of surveys was 85 percent.

The study sites are Shore Park, Atlantic City; Ida B. Wells Homes, Chicago; Few Gardens, Durham, N.C.; Easter Hill, Richmond, Calif.; and East Capitol Dwellings, Washington, D.C.

The study found that, for the most part, the story of the former public housing residents has been positive, that they are living in better housing in less-troubled neighborhoods. However, a substantial minority continue to live in traditional public housing developments that are only marginally better than the distressed public housing from which they moved.

Return Rate

Redevelopment was under way at all the survey sites in 2005, although none was completed and only 5 percent of the study respondents returned to a newly remodeled HOPE VI unit. Other research indicates that return rates to HOPE VI sites have ranged from less than 20 percent to 75 percent. The highest return rates have been to rehabilitated sites rather than to demolished and rebuilt developments.

One concern about the HOPE VI program was that relocated families would cluster in the distressed communities near their original development, but the Urban Institute found that most families who had moved by 2005 left their original neighborhoods.

Researchers found that in 2001, one-third of families reported three or more housing problems, such as water leaks, peeling paint, or plaster, or a unit with inadequate heating. The analysis showed that the families' housing was substantially worse than reported by other poor renters.

Quality Improvements

The survey showed that in 2003, respondents who moved

into the private market generally reported substantial improvements in housing quality. In 2005, the follow-up survey showed continued improvement, with 68 percent of voucher holders and homeowners and 64 percent of unassisted renters who were former public housing residents rating their housing as excellent or good.

In the new HOPE VI units in mixed-income housing, 85 percent of families gave their housing high ratings. However, only 39 percent of those in the original public housing gave their units high ratings in 2005, and only 49 percent of those who relocated to other public housing rated their housing as excellent or good.

The survey also found that voucher families used their subsidy to move to lower-poverty neighborhoods. Families that moved twice between 2003 and 2005 moved to areas with on average a 6 percent lower poverty rate compared with voucher holders who stayed in the same location.

The Urban Institute recommended that second-mover counseling should be provided to voucher holders to increase the proportion of families who move to better quality neighborhoods over time.

It also called for an improvement of conditions in traditional public housing. The 38 percent of HOPE VI families who chose to move to public housing should not end up in conditions that are as bad as the distressed developments where they started, the researchers said.

"HOPE VI'd and On the Move" is available at www.urban.org/housing/federal.cfm.

AFFORDABLE HOUSING

Housing Is Crucial to Health, Education, Research Reports Say

Affordable housing is crucial to the health and education of American families and children, according to two research analyses released by Enterprise Community Partners and the Center for Housing Policy.

"These surveys of social science research highlight the importance of affordable housing in helping people up and out of poverty by clearly illustrating the connections between affordable housing and health and education," said Kristin Siglin, vice president of Enterprise Community Partners.

The goal of the research work, according to Jeffrey Lubell, executive director of the Center for Housing Policy, "is to ensure that affordable housing becomes part of the national debate by framing the important connections between housing and key social outcomes and documenting how stronger housing policies can help America's children and their families realize a brighter future."

Impact on Health, Education

The reviews of existing research found what the reports

call "promising hypotheses" on the contribution of affordable housing to health and education.

One report says affordable housing can improve health by freeing up family resources for food and health care expenditures; reducing stress and related health problems by providing greater residential stability; limiting exposure to allergens and toxins, such as mold and lead-based paint; providing a stable location for the delivery of health care and other services; reducing exposure to infectious diseases by alleviating crowding; allowing victims of domestic violence to leave abusive homes, improving their mental health and physical safety; and lowering exposure to pollution through the use of green building and transit-oriented development.

The education report says the benefits of affordable housing include residential stability that minimizes school changes and educational disruptions; moves to communities with stronger school systems; alleviation of housing-related health hazards that adversely affect learning, such as lead poisoning and asthma; providing a forum for residential-based after-school programs; and reducing homelessness among families with children.

The education report says two additional hypotheses deserve further study. It says that affordable housing may facilitate greater parental involvement in their children's education by reducing stress and the need to hold multiple jobs, and that the development and rehabilitation of affordable housing in distressed neighborhoods may contribute to community revitalization efforts that include greater support for education.

(The reports on the positive impacts of affordable housing on health and education are available at www.nhc.org/index/chp-research-publications.)

AFFORDABLE HOUSING

MIT Real Estate Center Study Finds 12 Percent of Chapter 40B Applications Appealed to Courts

A study of the Chapter 40B comprehensive permitting process in the Boston metropolitan area found that about 12 percent, or 44, of the 369 applications to local zoning boards of appeal in the 1999-2005 period were litigated in the state court system.

The study by the MIT Center for Real Estate based the estimate on information from local town offices which would be notified of litigation, but researchers said the actual number of court cases is probably higher.

The report also found that developers appealed 26 percent (92) of Chapter 40B applications to the state Housing Appeals Committee (HAC), an administrative court. HAC decisions are subject to review by the Massachusetts superior court.

Before the HAC, developers filed the 2005 report. Prior to 2005, the HAC reported that the number of appeals filed with the HAC in 2005 was 92, or 26 percent of the 369 applications filed with the HAC in 2005.

The HAC reported that the number of appeals filed with the HAC in 2005 was 92, or 26 percent of the 369 applications filed with the HAC in 2005.

Chapter 40B Process

Chapter 40B is the primary process through which multifamily development is achieved in the Boston area, according to real estate practitioners interviewed for the report. Only 1 percent of land in 144 towns in the Boston metropolitan area is currently zoned for multifamily housing, and 101 towns have no land zoned for multifamily development, the report says.

Under Chapter 40B developers may apply directly to a town's zoning board of appeal (ZBA) for a single comprehensive permit when proposing to build low- or moderate-income housing. These projects typically set aside 25 percent of units for households with incomes no higher than 80 percent of area median income. The provisions of a comprehensive permit must not render a 40B project uneconomic.

If there is a dispute, developers may appeal the ZBA decision to the HAC. Once a town establishes and maintains affordable housing equal to 10 percent of its total housing stock, it is deemed to have met local needs for affordable housing and has the right to deny Chapter 40B applications. Only the town of Lowell had reached this threshold for more than two years.

Local Approvals

Most of the 40B applications (289) were approved by a ZBA, and 82 percent (237) of these projects were not appealed to the HAC. Both ZBA-approved and denied applications can be appealed to this administrative committee.

Of the 289 ZBA-approved applications 18 percent (52) were appealed by developers to the HAC. Only seven of these appealed projects resulted in a decision by the HAC. Researchers noted that this is consistent with outcomes in other courts in which most cases are settled prior to a decision.

Five of the appeals were dismissed, and 12 were still pending. Most (82 percent) of the ZBA-approved projects that were appealed resulted in some modification of the comprehensive permit.

Ninety percent (41) of ZBA-denied applications were appealed to the HAC. The denied applications are more likely than the ZBA-approved applications to proceed through the hearing process to an HAC decision. Of the denied and appealed cases that were not still pending, 41 percent (15) received a decision.

A total of 30,837 units of housing were proposed in Chapter 40B comprehensive permit applications in the seven-year study, about 2.3 percent of the existing housing stock in the Boston metro area. The affordable share of this total was 8,366 units, of which 3,849 are owner-occupied and 4,517 are for rent.

("Chapter 40B Permitting and Litigation" is available at web.mit.edu/cre.)

The report also found that developers appealed 26 percent (92) of Chapter 40B applications to the state Housing Appeals Committee (HAC), an administrative court. HAC decisions are subject to review by the Massachusetts superior court.

Before the HAC, developers filed the 2005 report. Prior to 2005, the HAC reported that the number of appeals filed with the HAC in 2005 was 92, or 26 percent of the 369 applications filed with the HAC in 2005.

court held that they did not violate the Fair Housing Act or the Pennsylvania Landlord and Tenant Act, but did violate 42 U.S.C. Section 1981.

Federal Preemption

In finding the ordinances invalid under the supremacy clause, the court ruled that they were preempted by federal immigration law under the doctrine of conflict preemption.

As the court explained, a local ordinance is conflict preempted when it presents an obstacle to the accomplishment of the objectives of Congress or when compliance with both the ordinance and federal law is impossible.

In this case, the plaintiffs asserted that the ordinances are in direct conflict with federal law because they are based on the assumptions that the federal government seeks the removal of all aliens who lack legal status and that a conclusive determination of an individual's illegal status can be obtained outside of a formal removal hearing.

The court agreed with the plaintiffs. It noted that the determination of a person's immigration status is a complex process and that the federal government may allow aliens to remain in the country even if they are found to be present unlawfully.

"Hazleton's ordinances burden aliens more than federal law by prohibiting them from residing in the city although they may be permitted to remain in the United States," the court said. "The ordinances are thus in conflict with federal law and are pre-empted."

The court found an additional conflict with federal law in the provision of the RO requiring Hazleton Code Enforcement Office employees to examine the paperwork of those seeking occupancy permits and to determine if they are properly in the country. The court noted that under federal law, 8 U.S.C. Section 1229a(a), immigration status can only be determined by an immigration judge.

Procedural Due Process

The court also found that the ordinances don't provide the procedural due process required to protect the Fourteenth Amendment property interests of landlords and tenants.

Enforcement of the IIRA housing provision barring the harboring of undocumented aliens begins with the filing of a complaint with the Code Enforcement Office, which then informs the landlord of the immigration status of the tenant. If the tenant is an illegal alien, the landlord has five days to correct the violation or have his rental license suspended.

The landlord can correct the violation by evicting the tenant, collecting additional information and requesting additional verification, or commencing an action against the tenant for possession of the property.

If unsatisfied with the process, either the landlord or the tenant can bring an action in city court, with a right of appeal to the Pennsylvania Court of Common Pleas.

The court concluded that these procedures aren't sufficient to satisfy the requirements of due process, notably

because they don't provide any notice to a tenant who is the subject of a challenge. In addition, the court said, landlords don't know what documents they need to verify tenants' immigration status, and, as previously noted, the state courts lack authority to determine an alien's immigration status.

Other Issues

The plaintiffs also claimed that the IIRA violated the equal protection clause by allowing the city to consider race, ethnicity, or national origin in determining whether a complaint is valid.

The court rejected the equal protection challenge, noting that the ordinance was amended to make invalid a complaint alleging a violation on the basis of those categories.

The court also dismissed the plaintiffs' privacy rights complaint, finding the ordinances too vague to determine what information would have to be provided.

In addition, the court rejected the plaintiffs' claim that the ordinances would have a discriminatory effect in violation of the Fair Housing Act, noting that they have not yet gone into effect.

The court also found no conflict between the ordinances and the state Landlord and Tenant Act, which sets out procedures for evictions, and rejected that claim.

As for Section 1981, which gives all persons the same right to make and enforce contracts as white citizens, the court agreed with the plaintiffs that illegal aliens are persons within the meaning of that statute.

"Accordingly, section 1981 forbids the defendant from prohibiting undocumented aliens from entering into leases," the court explained. "Thus, the Tenant Registration Ordinance and the housing provisions of the IIRA, which forbid such contracts, are in violation of section 1981."

PUBLIC HOUSING

PHA Abused Discretion in Evicting Family for Prior Drug-Based Activity

The Vermont Supreme Court ruled that a housing authority abused its discretion in evicting a family from public housing when it learned, five years after the tenancy began, that a family member was ineligible for public housing due to a prior drug-based criminal incarceration. (*Bennington Housing Authority v. Bush*, No. 2006-094, 2007 WL 2068328 (Vt.), July 20, 2007)

The Bennington Housing Authority (BHA) brought an eviction action against Diane Bush and Scott Heaton because they withheld information from their lease application which would have disqualified them as public housing tenants. When they applied for public housing, Bush was pregnant with triplets, and she, her daughter, and Heaton were homeless.

On the application, Bush and Heaton indicated that neither had a criminal record. Five years later, the housing authority, through computer search techniques, learned that Heaton had a criminal record out of state and served the family with an eviction notice.

After receiving the notice, Bush and Heaton had an informal hearing with BHA Executive Director Deborah Reed. Heaton offered to move out if the housing authority would allow the rest of the family to remain, but Reed refused. At trial, Reed testified that she did not consider any course of action other than evicting the entire family. She also testified that she knew she had the authority to evict the family and the discretion not to do so.

The trial court concluded that Reed did not abuse her discretion by deciding to evict the entire family. It also found that Bush had fraudulently misrepresented information on the housing application. It upheld the eviction.

Court Ruling

On appeal, the court ruled that the BHA did not meet its burden of proving the elements of fraud by clear and convincing evidence. To prove fraud, the court explained the BHA had to prove the misrepresentation was false, the maker knew it was false, and the BHA relied on the information to its detriment.

The court said there was no evidence that Bush intended to deceive. She knew Heaton had participated in some criminal activity in the past, but claimed she did not know he had committed a felony or had been involved in drugs. The form specifically requested information about the head of the household — Bush — and she claimed she answered honestly about herself when she said she was not involved in criminal drug activity.

Both Bush and Heaton knew the housing authority would conduct a criminal record check and signed the authorization for the BHA to do so. The court said this was not evidence of intent to defraud. Although Bush and Heaton recertified this information annually, the court said there was no evidence that Bush's knowledge of Heaton's past record changed during that period.

The court also did not find any evidence that the BHA relied on this information to its detriment, since the family had a good record as tenants.

Abuse of Discretion

The court said the BHA abused its discretion because it behaved "as if it had no other choice than the one it had taken...." It noted that public housing authorities have the discretion to overlook drug history if the person is no longer engaging in drug abuse or has been rehabilitated.

The court said the public housing drug eviction regulation is intended to protect residents from criminals, especially those engaging in drug activity. "The underlying community protection goals are not met by removing a family that has not been engaged in criminal activity during five years of their tenancy," said the court.

The court noted that federal advisory information counsels against applying rigid rules in public housing because of the hardship that results when tenants lose their housing. The court said the BHA should have balanced the tenant's recent history against the failure to include accurate information five years earlier and should have considered alternatives to eviction.

The court said the BHA had the discretion to evict persons who are ineligible for public housing and could have

evicted Heaton. However, the court held that BHA failed to exercise its discretion in "evaluating this apparently rehabilitated tenant." The court said the facts in this case did not support a finding of fraud.

Dissent

Two justices dissented, finding that the BHA clearly acted within its discretion in evicting the family and that the BHA's finding of fraud clearly was supported by the evidence.

In Justice Burgess' view, the "record evidence was quite sufficient for the trial court to reasonably conclude that it was highly probable that BHA was fooled into granting tenants a leasehold that it otherwise would not have conveyed." Justice Burgess argued that federal regulations do not require a housing authority to engage in a balancing process before deciding to terminate a tenancy.

In a separate dissent, Justice Dooley said that the "majority is essentially warring with BHA's adoption of a national policy to make public housing projects safe and secure for residents by screening out those with criminal backgrounds. Whatever our view of this national policy, it is our duty to enforce the law through which it has been implemented, rather than our policy preference. The majority fails to discharge that duty."

MORTGAGE FINANCE

Undivided Unearned Fee Violates RESPA, Second Circuit Rules

A borrower can pursue a claim that a mortgage lender's collection of an unearned fee violated the Real Estate Settlement Procedures Act (RESPA), even when there was no fee-splitting with another party, the U.S. Court of Appeals for the Second Circuit ruled, vacating the district court's dismissal of the complaint. (*Cohen v. JP Morgan Chase & Co.*, Docket No. 06-0409-cv, 2007 WL 2231106 (2nd Cir. (N.Y.)), August 6, 2007)

Plaintiff Sylvia C. Cohen sued JP Morgan Chase & Co. and JP Morgan Chase Bank (collectively, Chase) over a \$225 "post-closing fee" charged in connection with a refinancing, alleging that Chase performed no services for the fee. Although Chase disputed that contention, the court said it must assume the truth of the claim in reviewing a judgment of dismissal.

Cohen argued that the fee violated Section 8(b) of RESPA, 12 U.S.C. Section 2607(b), which prohibits the giving or accepting of any portion of any charge for a settlement service other than for services actually performed.

HUD Policy Statement

In a 2001 policy statement, HUD construed Section 8(b) to prohibit unearned fees in three contexts: where two or more persons split a fee, any portion of which is unearned; where one settlement service provider marks up the cost of services provided by another provider without performing additional work to justify the mark-up; or where one service provider charges a fee where no, nominal, or duplicative work is performed, or where the fee is in excess of the reasonable value of the services performed.

County approves Section 8 fix plan

This story appeared in the Antelope Valley Press on Wednesday, August 22, 2007.

By JAMES RUFUS KOREN
Valley Press Staff Writer

LOS ANGELES - County supervisors Tuesday approved a plan to fix problems in the county housing authority's Section 8 housing voucher program, which has been rated "troubled" by the federal Department of Housing and Urban Development.

The Corrective Action Plan, negotiated by HUD and the county housing authority, details shortcomings in the Section 8 program's administration and lists a series of corrective actions the agency needs to take to be certified as "standard."

The Section 8 program in the Antelope Valley, administered by the county housing authority, has been troubled by crime and fraud, but HUD's issues with the agency have more to do with the authority's administration.

"It's mostly administrative matters and how applications are processed and how quickly they're processed," said Paul Novak, aide to County Supervisor Michael D. Antonovich, whose 5th District includes the Antelope Valley. "A lot of it is getting rid of backlog."

Indeed, many of the problems mentioned in the Corrective Action Plan have to do with overdue inspections and audits of Section 8 tenants' income, the quality of their housing and other program requirements.

For example, Section 8 inspectors are supposed to re-examine tenants every year.

The plan noted "problems with re-examinations stem from workers not conducting them on time and their database's inability to alert staff when re-exams were due."

Inspectors also are supposed to make sure Section 8 tenants' homes meet HUD's housing quality standards, and the plan reports 10% of those inspections are late. During HUD's assessment of the program, inspectors did 15 random housing quality inspections and found 14% of the housing units were not up to snuff.

HUD designated the program as "troubled" in October and assessed it in February.

Antonovich and 4th District Supervisor Don Knabe seemed upset by the program's designation, still listed as "troubled" 10 months later, and asked housing authority Director Carlos Jackson why problems hadn't been fixed.

"I think we're disappointed the troubled status has not yet been removed," Novak said. "We would have loved to have seen that changed sooner."

In a memo to the board last week, Jackson said while the "troubled" designation had come down in October, HUD didn't present the Corrective Action Plan until June. The two agencies then had to negotiate the plan because it included claims with which the housing authority did not agree.

Jackson said he did not know the final details of the plan and an eventual HUD review and assessment until Thursday.

Despite that, consultants working with the Section 8 program said the housing authority started working to correct problems even before the troubled designation came down in October.

"Clearly this authority began the improvement process in advance of the designation," said Ed Griffin, a consultant brought in to help improve the Section 8 program.

"It goes back as far as July 2006," he said. "It's not as if it just ramped up once the letter came (in October)."

Already the housing authority has improved inspecting and examining Section 8 residences, said Griffin and Tricia Tasto, another consultant.

In the 2006-07 fiscal year, Tasto said the housing authority did 98% of quality inspections and 99% of examinations of tenants. That should result in improved review scores from HUD, she said.

Novak said Jackson will report to the board sometime in the next week on what parts of the plan the housing authority has already addressed.

Griffin said the authority should be able to complete improvements called for in the plan by October, at which point HUD will have to conduct another review to verify the authority's progress.

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 From the Los Angeles Times

How to build in South-Central

If we help kids learn a trade, they'll be able to cash in on a construction boom.

By Manuel Pastor

August 22, 2007

The debate about the densification of Los Angeles is in full swing. In one corner, Valley homeowners and Westside residents resent the loss of a suburban lifestyle and worry about increasing traffic. In the other, developers and smart-growth advocates, not the most natural of allies, have joined forces to argue that up-zoning and upbuilding, particularly around transit corridors, will eventually reduce congestion and improve air quality.

Often lost in the crossfire are the ways in which increased density and development will affect L.A.'s other major problems, including poverty and affordability. In many of the newly attractive downtown and mid-city locations, low-income residents worry that gentrification will deliver better streetscapes and neighborhood amenities -- but for an entirely different clientele. In other areas, including large swaths of South-Central, the concern is that the construction and other jobs created by what some estimate to be a \$100-billion building boom will go elsewhere, delivering yet another decade of "drive-by" prosperity.

Into the mix has stepped the Community Coalition, a group that cut its teeth on land-use issues in South-Central, specifically the effort to curtail the proliferation of liquor stores before and after the 1992 civil unrest. Having expanded its attention to a wider range of concerns, including youth development and black-Latino dialogues, it is now focused on workforce development -- and the opportunities that the re-urbanization of Los Angeles could bring.

These new opportunities might not initially seem that sexy. Construction work doesn't have the same cachet as, say, the high-tech sector. It's the difference between swinging a hammer and engineering a rap album, designing a condo or launching this year's version of YouTube.

Yet the state's Economic Development Department is predicting that increased demand for construction in Los Angeles County will just about equal the projected growth in demand for computer specialists.

Moreover, because the average construction worker is near to retirement, it is expected that future openings in construction will be double those in the computer field. Experts project long-term labor shortages in the building trades (once we get past the recent housing blip), particularly if younger workers continue to pursue other occupations.

The Community Coalition is trying to communicate that reality and win converts to construction early, while kids are still in high school. To do this, leaders have embraced one of the newest trends to emerge in the world of education: "multiple pathways" -- a combination of college prep and career education, particularly in neighborhoods of concentrated poverty.

The notion is that practical education will slice the high dropout rate by keeping kids engaged and providing them with marketable skills, even as the college pathway remains open. It's a vision suited to an American workforce facing a new age of lifelong education and job-switching.

To achieve this vision, the coalition wants to create a "Construction Technology Academy" (including architecture and engineering) at South-Central's Dorsey High School. Los Angeles Unified School District Supt. David Brewer has offered his support, and Dorsey Principal George Bartleson has endorsed the concept.

Getting kids into the pipeline for living-wage jobs should be among our highest priorities. The needs are urgent and the demand is there, particularly given the combination of infrastructure bonds, private projects and school rebuilding. Moreover, a vibrant set of community groups is ready to backstop the school's efforts at student recruitment, build bridges to trade unions and employers and soothe the parent hackles that often get raised over any push for technical education.

South-Central has been at the heart of many "perfect storms" -- the intersecting plagues of poverty, abandonment and crime. It isn't often that the community finds a way to stop being the poster child for distress and instead takes advantage of the broader forces shaping Los Angeles' new urban form. Let's hope that Dorsey, L.A. Unified and the Community Coalition all get in step on a plan for rapid implementation of the Construction Academy. The future of Los Angeles -- and some of the least advantaged young people in our region -- depends on it.

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Bobbette Glover

From: Bob Nishimura
Sent: Thursday, August 23, 2007 9:16 AM
To: Carlos Jackson; Bobbette Glover
Cc: Terry Gonzalez; Tricia Tasto
Subject: AV PRESS NEWS ARTICLE

Attachments: 0823_p5[1].jpg



0823_p5[1].jpg (62 KB)

CANINE CONFISCATED - Authorities search a Section 8 home in which approximately 12 dogs were tied up with chains. One pit bull had a severe infection on his face that attracted uncountable flies. VERONICA ROCHA/Valley Press
THIS ARTICLE ALONG WITH THE ABOVE PHOTO AND CAPTION APPEARED IN TODAY'S ANTELOPE VALLEY PRESS.

Section 8 compliance sweeps result in arrests, cutoffs

This story appeared in the Antelope Valley Press on Thursday, August 23, 2007.

By VERONICA ROCHA
Valley Press Staff Writer

LITTLEROCK - Two Section 8 recipients will be recommended for termination from the rental subsidy voucher program after sheriff's deputies and investigators conducted compliance searches of their homes Wednesday.

Deputies from the Los Angeles County Sheriff's Department Community Oriented Policing Services Bureau, Deputy District Attorney code enforcement investigators and a Housing Authority Section 8 investigator searched five homes in Littlerock.

They arrested one person at one of the homes on suspicion of an outstanding traffic violation, said Deputy Robert Ferrell of the Palmdale Sheriff's Station.

Two of the five homes sheriff's deputies and investigators searched were found to have either unfit living conditions or a Section 8 recipient who allowed unauthorized individuals on parole or probation to reside in the home.

At a Section 8 home in the 7300 block of East Avenue U-3, deputies found evidence of marijuana use and letters suggesting tenants inside the home were corresponding with a prisoner at Pelican Bay State Prison.

"It's a connection that sets off a red flag," Ferrell said, adding the letters suggest the resident might allow the inmate to reside at the home after he is released.

Under Section 8 regulations, recipients are forbidden to allow individuals on probation or parole to reside in a subsidized rental. Section 8 recipients must provide the Housing Authority with a list of people who reside at the

home, and those individuals must be authorized by the Housing Authority.

In a Section 8 home in the 9600 block of Avenue Q-10, sheriff's deputies and investigators found 10 to 12 pit bulls tied up by chains in individual makeshift pens. One had a severe infection with open wounds on its face. Uncountable flies swarmed on the dog's face. The dog was taken away by Animal Control.

An Animal Control officer gave the dog's owner several animal violation citations.

The primary renter, a Section 8 recipient, was allowing a parolee to reside inside the home, Ferrell said. The parolee, he said, listed the home as his primary residence.

In an Aug. 9 Section 8 compliance search, nine recipients were recommended for termination of their Section 8 vouchers after authorities found evidence to suggest they were not complying with the rules and regulations of the Housing Choice Voucher Program.

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ANTELOPE VALLEY PRESS
AUGUST 23, 2007

Feds need major priority adjustment on Section 8



**William P.
Warford**

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Never underestimate the ability of federal agencies to miss the point. They are extremely deft at tip-toeing around the elephant in the living room.

At Tuesday's meeting, Los Angeles County Supervisors learned that the federal department of Housing and Urban Development still is criticizing the county Housing Authority for problems with the Section 8 program.

You might think that means the feds are mad that so many parolees, druggies, gang members and con artists are living in Section 8 units, defrauding the taxpayers and depriving deserving poor people on the waiting list the chance at a place to live. You would be wrong.

The federal government — which pays for all this with your taxpayer dollars — seems to be more concerned with administrative matters and inspections of homes to make sure the units are up to HUD standards, not so much with whether unauthorized tenants are living there or if there's

drug or other criminal activity going on.

investigator Gary Brody and Palmdale Partners Against Crime deputies went to the home to check it out.

They found a man named Michael Brown, 34, who told deputies he lived there with his wife and two daughters. They found the majority of the items that allegedly had been purchased with the phony credit cards.

It turned out that Brown and Jenkins are employed, making about \$60,000 a year total, despite having a reported income to the housing authority of just \$7,008 in government benefits.

And, yes, they own the obligatory Mercedes, a 2004 C230K for which they pay \$683.93 a month. Those big payments get easier when the government pays your rent.

Brown was arrested for grand theft and theft of

L.A. agency ordered to pay couple \$37,000

A judge rules it charged 'unconscionable' penalties when the family sold a home it had helped finance.

By Greg Krikorian
Los Angeles Times Staff Writer

August 24, 2007

The Los Angeles Community Redevelopment Agency has been ordered to pay a couple more than \$37,000 for charging "unconscionable" penalties for early resale of a South Los Angeles home the agency helped them purchase.

The Los Angeles County Superior Court ruling, which was made public last week, comes more than a year after Larry and Melissa Shields sued the CRA on grounds that it unfairly punished them for the appreciation of their Jefferson Park-area home, which they purchased in December 2002.

The couple bought the residence for \$210,000 in a CRA lottery and relied on the agency for part of the financing, in the form of a \$45,800 second mortgage.

Under the terms of their loan with the CRA, the couple were required to live in the house for five years or pay the agency a penalty of \$45,800 plus interest, or half of the home's appreciation, whichever was greater.

In an interview after they filed the lawsuit, the couple said they had intended to meet the requirement but moved earlier for a variety of personal reasons.

In 2005, their 16-year-old son was shot and killed outside a Hollywood nightclub when a patron indiscriminately fired into a large crowd. Larry Shields said the tragedy left his wife so despondent she could not work for five months.

The couple, with three other children ages 5 to 11, also said the neighborhood was not as safe as they had expected.

Three years after moving in, they put the house on the market and, with real estate prices on the rise, sold it for \$540,000.

The CRA said it would not waive the early resale charges and contended that it was entitled to its original loan back plus 50% of the appreciation, which totaled more than \$200,000 after improvements and other financial factors were considered.

Though the agency's legal counsel recommended that the CRA settle with the couple for a lesser amount, the board held out for the original terms. The couple filed suit.

In a ruling earlier this month, Judge Soussan D. Bruguera concluded that the CRA's repayment terms were "unreasonable" under state law and an "unconscionable" violation of civil code sections. She decided that the couple were entitled to all of their profit from the sale of the property and ordered the release of \$37,000.

greg.krikorian@latimes.com

S 1789 would bar use of any federal subsidy under the CDBG program to support projects involving the use of eminent domain unless the property taking is for public use only. House lawmakers are more politically susceptible to the whims of mayors and other local officials regarding holding back CDBG money.

The Senate bill would base Sec. 8 voucher renewals on the most recent 12 months of HUD's voucher management system data rather than the present three-month window in 2004. The House doesn't address what is tantamount to legislation in an appropriations bill.

S 1789 would allow public housing authorities (PHAs) with fewer than 500 units to opt out of the asset-management requirements imposed by HUD's new operating fund rule. The present cutoff is 250 units.

Small PHAs seeking to stop their operating fund cuts at less than the full formula cut would have to remain in the asset-management program. The House bill doesn't address the issue.

COMMUNITY DEVELOPMENT

CDBG & HOME Money For Housing

Missouri: Independence will receive more than \$1 million in Community Development Block Grant (CDBG) and HOME program money to increase the city's stock of low-income housing.

The CDBG share will be \$744,406, while HOME will contribute \$454,672.

* Casinos May Pay For Housing

Municipalities with gambling casinos in their jurisdiction may be pressed to tap them for more tax revenues in order to get a share of Community Development Block Grants (CDBG).

The Government Accountability Office (GAO) is considering adding a local government's fiscal capacity to a revised CDBG formula proposal the congressional watchdog agency plans to present to lawmakers later this year.

Cities such as Atlantic City and Detroit with sizeable poverty pockets are under scrutiny to see if their tax structures tap such resources to address housing and community development needs.

Likewise, small municipalities with large casinos such as Biloxi, MS, and rural communities including Tunica, MS, are under study to determine if their tax structures are serving community needs.

Consequently, GAO likely will develop a formula concept, taking into account a government jurisdiction's ability

to raise money and balance the findings with costs of doing business and community needs.

Present law provides 70% of CDBG money for direct entitlements and 30% for states to distribute to small towns and rural areas.

COURTS

State Planning Law Upheld

New Jersey: State law governing planning in several northwestern counties is upheld in state Supreme Court with justices accusing landowners of trying to avoid environmental requirements on land they purchased for redevelopment.

The land in question is about 93 acres in Washington Twp. in Morris County. The township planning board had allowed residential development to begin in 1999 on 26 subdivided lots, but the former owner challenged the plan in court. New property owners continue the fight.

The ruling in *OFF v. State of New Jersey* upholds Morris County trial court and lower appellate court decisions holding that the Highlands Water & Protection Act remains the planning authority in Bergen, Hunterdon, Morris, Passaic, Somerset, Sussex and Warren counties.

Justices say the property owners must exhaust every possible remedy before filing a complaint.

HUD

Wrestling With Housing Behemoth

While HUD grapples with its 30,000 Hurricane Katrina refugee household inheritance from the Federal Emergency

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Management Agency (FEMA) (*HAL*, 8/17p5), department executives wrestle with the prospect of taking in 15,000 additional households when FEMA closes its trailer camps.

And that's not the end of HUD's dilemma. If lawsuits and other legal moves brought by thousands of other households dropped from FEMA assistance rolls conclude in favor of the refugees, HUD will inherit them as well under the provisions of the Disaster Housing Assistance Program (DHAP).

FEMA wanted to end rental assistance in June for up to 10,000 households which the agency contended had not complied with its latest round of recertification.

A federal judge issued a preliminary injunction forcing FEMA to pay July and August rents. But the 5th U.S. Circuit Court of Appeals lifted the injunction Aug. 13 in *Ridgely v. FEMA* and set a Nov. 5 trial date.

Consequently, FEMA won't pay the September rental costs, forcing HUD to pick up the program under DHAP.

HEARD AT HUD

HUD Shifts Blame On Delays

Notwithstanding statements made to various housing industry representatives that program delays are the result of a lack of qualified people at HUD to do certain jobs, department employees are blaming the delays on lateness of the FY 2007 spending law.

Sources tell *HAL* the order to blame Congress for the delay comes from the executive suite, smarting over recent criticism HUD can't keep up with its program administration.

In an e-mail to one public housing authority from HUD Public & Indian Housing office, the writer says PASS

(Physical Asset Sub-System) didn't receive its funding until March, thereby justifying HUD's assertion it was unable to award capital fund bonuses this year (*HAL*, 8/3p1).

ASSISTED HOUSING

More HUD Landlords Eye Exodus

HUD's increasing inability to administer programs and provide timely subsidy payments is encouraging Sec. 8 project-based landlords to quit the program when contracts expire.

The department's latest snafu—its inability to pay landlords because the department ran out of money (*HAL*, 7/27p1)—stepped up thoughts of an exodus from the program, *HAL* is told.

The Office of Management & Budget provided HUD with a more than \$1 billion bailout to provide the delinquent subsidies.

Adding to the uncertainty of subsidies is the looming shortage of money in FY 2008 appropriations proposals. The House measure, HR 3074, would provide \$6.239 billion for project renewals, \$409.8 million more than the FY 2007 allocation and \$716.3 million more than the Bush administration request.

But sources tell *HAL* the sum is about \$600 million less than the minimum necessary to keep the program viable.

Close to 800,000 apartments serving low-income families are at risk in the next three years, more than half of the 1.5 million apartments originally financed by HUD.

Data accumulated by the Nat'l Housing Trust shows rent subsidies for the apartments will expire by the end of FY 2010, giving landlords the opportunity to leave the program.

Sources say HUD's increasing inability to administer programs because of turmoil generated by an ever-changing corps of inexperienced political appointees and a subsequent increasingly intransigent bureaucracy spells trouble for this and other programs.

*Sec. 8 Inspectors Ousted

New Jersey: The Newark Housing Authority (NHA) fires its six Sec. 8 housing inspectors, saying they allowed residents to live in substandard conditions.

NHA officials, brought in to revamp the long-troubled agency, discovered the inspectors didn't keep inspection records and NHA efforts to retrain them failed.

NHA is operating under a HUD memo of understanding, one step short of a federal takeover unless the PHA corrects its shortcomings.

The agency is emerging from a scandal under former

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executive director Harold Lucas, a former HUD executive in the Clinton administration who resigned after disclosures of improper property sales, nepotism, and extravagant spending.

AFFORDABLE HOUSING

Housing Bill Goes To Governor

New York: Gov. Eliot Spitzer (D) gets an affordable housing reform bill from the state General Assembly that would expand affordable housing in New York City.

Critics contend the legislation contains a special provision that would benefit the developer building condominiums in the controversial Atlantic Yards development in Brooklyn.

Daniel Goldstein, following the ongoing debate as a member of the nonprofit group Develop Don't Destroy Brooklyn, says that while the bill generally is a good one, provisions favoring developer Forest City Ratner should be stricken.

Affordable housing in New York state derives in part from property tax policy commonly known as 421-a, which enables developers who build 20% of affordable rental housing units to receive a federal tax break to cover the potential income lost.

The new bill initially would have given Forest City Ratner an exemption from low-income requirements in market-rate condominiums for 25 years at the Atlantic Yards.

Mayor Michael Bloomberg (I) threatened to cut the city's portion of Atlantic Yards funding if lawmakers approved the measure. Negotiations whittled the exemption to 15 years.

Despite the dislike of the bill by some, the governor likely will sign the measure.

Affordable Housing Preserved

New York: Six buildings in the Bronx are purchased by the Fordham-Bedford Housing Corp. (FBHC) with the help of low-income housing tax credits (LIHTC).

Financing from the New York City Acquisition Fund, administered by the city's Housing Preservation & Development Dept., helped FBHC buy the buildings with a package of loans from Enterprise Community Partners Inc.

The \$23 million, one-year loan will cover 110% of the \$21.4 million value of the buildings to keep them in the city's affordable housing portfolio.

The \$230 million acquisition fund provides short-term loans for the purchase of privately owned land and structures.

PUBLIC HOUSING

* Agency Tests HUD Rent Rule

North Carolina: The Durham Housing Authority (DHA) plans to implement a proposal to oust public housing tenants who quit their jobs for no apparent reason other than a desire not to work.

HUD would have to approve the policy change. Federal law says public housing tenants who lose their jobs are entitled to free rent or a minimum payment of \$50 a month. The law doesn't address a reason for job loss.

DHA officials suspect some public housing residents enroll while holding a job, then quit the job knowing the agency will pay their rent.

* PHA Trims 5,000 From Wait List

California: More than 5,000 applicants for public housing will be removed from the Berkeley Housing Authority (BHA) waiting list in a move designed to completely revamp the troubled agency.

Some applicants have been on the list for at least eight years, but the list was found to have been so badly maintained new BHA officials couldn't determine who remains eligible for public housing.

The waiting list became an issue in May when city officials alleged some BHA officials had manipulated it by favoring certain applicants.

HUD ordered a shakeup and a new BHA governing body was formed July 1.

PHA To Emerge From HUD Rule

Florida: HUD tells the Sarasota Housing Authority (SHA) it is ready to return to city supervision after two years under the department's control.

SHA became a troubled public housing authority in 2005 after tenants in the agency's 400 low-income apartments rebelled over lack of maintenance. The agency had trouble managing its finances and retaining staff.

Consequently, city officials asked HUD to intervene. The transition back to the city is expected to take about six months.

VETERANS HOUSING

* Rental Housing For Vets In Demand

Military veterans returning from service in Iraq and Afghanistan will increase the demand for affordable rental housing, a Government Accountability Office (GAO) study finds.

The study points out that HUD gives veterans no preference in its housing programs, a characterization objected to by HUD.

In 2005, an estimated 2.3 million veteran renter households had low incomes. The proportion of such households varied by state but didn't fall below 41%, the report says.

An estimated 1.3 million had housing affordability problems in 2005, about 56% of the total households.

Info: www.cdpublications.com/docs/3760

OUTLOOK

Mortgage Delinquencies Up By A Third

Mortgage loans at least 90 days delinquent increased in the second quarter by 36.2% compared with the same period in 2006, says the Federal Deposit Insurance Corp. (FDIC).

Total of the bad loans amount to \$11.4 billion and the increase marks the largest jump in 16 years. Banks charged off \$9.2 billion of the loans.

FDIC Chairwoman Sheila Bair cautions against overreaction to the data in the regulator's Quarterly Banking Profile, saying the banking industry remains strong and well capitalized.

At the same time Bair outlines bank industry second quarter earnings at \$36.7 billion, the FDIC chief says most of subprime adjustable rate mortgages are performing well. The bulk of such mortgages will reset in coming months, giving homeowners time to refinance into fixed-rate loans, she says.

Subprime loans make up about 15% of the total mortgage market.

In another banking area, mortgage defaults increased 49% above the second quarter a year ago in the nation's thrifts, says the Office of Thrift Supervision (OTS).

While the 836 regulated thrifts continue to feel stress from the subprime fallout and liquidity exhaustion, their overall health remains strong, OTS says.

The thrift industry had \$14.2 billion in troubled loans, up from \$9.5 billion a year earlier. As a percentage of total assets, it is the highest in 10 years.

MORTGAGE FINANCE

Bank Gets Chunk of Mortgage Market

Bank of America (BOA), already the nation's sixth-largest home lender, buys 16% of Countrywide Financial Corp., the nation's largest home mortgage lender.

The financial lifeline to Countrywide earns BOA an

immediate \$700 million through a jump in the value of Countrywide stock, and it puts the bank in an ideal position to acquire the lender.

The \$2 billion transaction—giving BOA preferred stock paying a 7.5% dividend convertible to common stock at \$18 a share—gives Countrywide a major breather as smaller lenders, primarily newer subprime lenders, fall by the wayside in a shakeout of the industry.

The BOA move comes less than a week after Countrywide borrowed \$11.5 billion from 40 leading banks to provide mortgage liquidity, with the aim of taking advantage of a tight financial market while the interest rate is beginning to slide and smaller lenders have exhausted their liquidity.

Early in the week, the lender began culling employees from its Full Spectrum Lending subsidiary, which focuses on risky Alt-A home loans, to reduce operating costs.

Countrywide says it will scale back jumbo mortgage originations, increase downpayment requirements, and stop lending to borrowers with poor credit ratings.

Subsequently, the number of loans eligible for purchase by Fannie Mae and Freddie Mac is expected to soar to around 90% from 50% in June.

But Freddie Mac may be the sole player in the recovery for a while. It likely will be the sole source of liquidity to purchase loans in the short term (*see related story below*).

Fannie Mae In Liquidity Crunch?

A move by government-sponsored enterprise (GSE) Fannie Mae to pass up issuing benchmark notes this month signals the mortgage giant may be edging toward the regulatory limit on its mortgage holdings, sources tell *HAL*.

A benchmark debt offer provides FNMA with cash to buy more loans, thereby providing lenders with money to make more loans.

FNMA officials remain mum on the details other than an official statement saying the GSE doesn't need such long-term funding at this time, that short-term discount notes and medium-term notes would meet its immediate funding needs and provide the market's need for liquidity.

FNMA and sibling Freddie Mac purchase loans from lenders and repackage them into mortgage-backed securities (MBS) to sell on Wall Street or retain in their own investment portfolios.

The subprime performing scare has driven investors from the market for the time being, drying up the MBS market. FNMA estimated its mortgage portfolio reached \$715 billion at the end of June, \$13 billion shy of the ceiling set by the Office of Federal Housing Enterprise Oversight (OFHEO), its chief regulator.

The last time FNMA skipped a debt offering was May 2006, but the GSE has financial liquidity at the time,

INDICATORS

Mortgage Rate Dips Slightly

The 30-year fixed-rate mortgage averaged 6.52%, down from last week's average of 6.62%, a Freddie Mac survey shows.

The five-year adjustable-rate mortgage averaged 6.34%, down from last week's 6.35% average.

Meanwhile, the one-year ARM averaged 5.60%, down from last week when it averaged 5.67%.

"Interest rates on conforming long-term fixed-rate mortgages and one-year adjustable rate mortgages trended down by about one-tenth of a percent in the past week", says Frank Nothaft, Freddie Mac vice president and chief economist. Nothaft explains the change, "as a result of yields on Treasury securities coming down, and the Fed's decision to cut the discount rate by half a percent to 5.75% last Friday."

HOUSING AFFAIRS RATE WATCH

PRIMARY MORTGAGE MARKET

Commitment Rates	7/26	8/2	8/9	8/16	8/23
Fixed Rate	6.69	6.68	6.59	6.62	6.52
Fees & Points	0.4	0.3	0.4	0.5	0.4
15-yr. FRMs	6.37	6.32	6.25	6.30	6.18
Fees & Points	0.4	0.3	0.4	0.5	0.5
1-yr. ARMS	5.69	5.59	5.65	5.67	5.60
Fees & Points	0.5	0.5	0.5	0.6	0.6

SECONDARY

FNMA					
30-yr. FRM*	6.61	6.56	6.46	6.53	6.43
FHLMC					
30-yr. *	6.46	6.44	6.40	6.40	6.29

*Required Net Yields, 30-Day Delivery

Info: FHLMC, 703/903-2446; MBA, 202/557-2737

STATE & LOCAL

Income, Housing Cost Gap Widens

Connecticut: A new study finds the gap between residents' income and the cost of housing in eight southwestern cities and towns known as the state's "Gold Coast" has widened since the affordable housing problem there was last studied in 1996.

The supply of HUD-regulated affordable housing units dropped 11% between 1998 and 2006 in Darien, Greenwich, New Canaan, Norwalk, Stamford, Weston, Westport and Wilton, the study by the Southwestern Regional Planning Agency finds.

Much of the drop occurred with the demolition of a large public housing complex in Stamford. It was replaced with a lower density HOPE VI mixed-income development.

Workforce Rental Housing Approved

Mississippi: HUD approves a \$230 million Small Rental Assistance Program (SRAP) to generate development of rental housing affordable for service workers.

SRAP administrators estimate 5,000 workforce rental units will be built or repaired when the programs gets under way in September.

State Agency OKs Housing Money

New York: The state Housing Finance Agency (HFA) approves \$42.6 million to finance two affordable housing projects in the New York City boroughs of Manhattan and Brooklyn.

HFA gives \$30.1 million to finance construction of 151 units in a group of 20 semi-detached buildings in Brooklyn, reserved for families with incomes at or below \$34,080 or 60% of the area median income. About 30% of the new units are reserved for former tenants of a nearby high-rise demolished in 2004.

The remaining money, \$12.5 million, will finance renovation of an eight-story, 100-unit apartment building for the elderly in Manhattan. The project, assisted with a federal subsidy and city tax exemption, will cost \$23.1 million and ensure affordable rents for the next 40 years.

* Public Housing Scraps Camera Plan

Massachusetts: Cameras won't replace security guards at Boston public housing complexes any time soon. Boston Housing Authority officials drop a proposal to replace day-time security guards at 13 developments and replace them with surveillance cameras.

Residents protested the move, citing worry over safety for the 1,800 elderly and disabled tenants.

Cameras in operation from 8 a.m. to 4 p.m. would have eliminated one shift of security guards at an estimated \$650,000 a year.

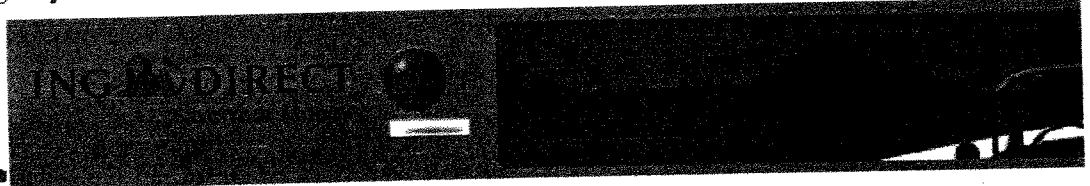
Tax Credits For Low-Income Housing!

The 13th edition of this useful guide to the low-income housing tax credit program—the 20th Anniversary Edition—now is available through CD Publications.

The 442-page book, with 54 appendixes and 24 tables, is available in softcover or in a loose-leaf version. The loose-leaf edition includes e-mail updates of ongoing changes in the program through 2008.

For details, go to www.cdpublications.com or call 800/666-6380

Los Angeles Times
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http://www.latimes.com/news/printedition/asection/la-me-housing25aug25,1,3915277.story?coll=la-news-a_section
From the Los Angeles Times

Housing agency fires auditor

Investigator says officials interfered with inquiry into bid-rigging scheme.

By Ted Rohrlich and Jessica Garrison
Los Angeles Times Staff Writers

August 25, 2007

The chief investigator for the Los Angeles Housing Authority, Abel Ruiz, was abruptly fired this week after complaining that people inside the agency interfered with his efforts to get to the bottom of an \$800,000 bid-rigging scheme, his attorney said Friday.

Housing Authority Executive Director Rudolf Montiel said that he could not comment on a personnel matter but denied any coverup. In fact, Montiel said, he had referred the bid-rigging matter to outside agencies, the Los Angeles County district attorney's office and the Department of Housing and Urban Development, for "a thorough and complete investigation."

The Times reported last month that a housing authority manager, Victor Taracena, had awarded construction and design contracts to family members and to three firms with ties to present and former City Council members in the 14th District. Agency files showed that the competition for many of the contracts was fixed. Through his attorney, Taracena, who was fired, has denied wrongdoing.

City housing authority officials said Friday that they believe much of the work called for in those contracts was not done.

Ruiz's allegations bring new controversy to an already troubled agency, which has been beset by corruption and infighting in recent years. Montiel has portrayed himself as a reformer, intent on cleaning up the agency and focusing on serving about 100,000 of the poorest people in Los Angeles who are in need of places to live. Indeed, Montiel said he had hired Ruiz in 2005 to help him.

Ruiz headed the authority's internal controls department and did the initial investigation into the alleged bid-rigging.

But "in the middle of his fact-finding, he was stopped," when housing authority leaders decided to hand the case over to prosecutors, according to Ruiz's lawyer, Craig T. Byrnes. Ruiz saw this move as premature.

Then, the lawyer said, Ruiz learned of an odd development: Even though the case had been turned over to law enforcement, another official in the housing authority continued looking into it. His inquiry appeared to be focused on whether the work, much of which involved drawing plans to build ramps and other aids for the handicapped, was ever performed. Ruiz said no drawings had been found in agency files. Byrnes said that Ruiz asked that this effort stop so as not to alert possible criminals that they were under suspicion.

But, Ruiz's lawyer said, the effort did not stop and at least one of the politically connected firms was told in a letter from the agency that the firm could cure any problem by "self-certifying" that it had done the drawings.

The lawyer said that when Ruiz objected, housing authority leaders started freezing him out of meetings, bad-mouthing him and ultimately fired him without giving him a reason. He said Ruiz plans to file a claim against the housing authority for wrongful termination.

Montiel suggested that the letter Ruiz saw as nefarious was an innocent attempt to obtain information. Montiel said it now appears that, while some drawings may actually have been prepared by contractors, firms owned by Taracena's family did not do much of the construction work for which they billed.

Taracena supervised more than 150 contracts worth about half a million dollars that went directly to companies his brothers created, contract files show.

Seven other contracts worth \$289,000 were awarded to non-family firms, two of which had little or no expertise in the work they were hired to do.

These firms -- all with ties to current or former Los Angeles City Council members from the Eastside -- won their contracts in bidding processes fraught with irregularities.

In one case, a losing bid was submitted by a nonexistent company. Other such bids came from actual companies which, when contacted by The Times, said they were surprised to learn that bids had been submitted in their names.

Representatives of two of the firms -- the Estrada Courts Residents Management Corp. and Grande Vista Associates -- denied any knowledge of rigged competitions. The head of the third, KV and Co., did not respond to repeated requests for comment.

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From the Los Angeles Times

Blight moves in after foreclosures

Untended properties become eyesores. Then there are the uninvited guests: mosquitoes, vandals and squatters.

By David Streitfeld
Los Angeles Times Staff Writer

August 28, 2007

Houses abandoned to foreclosure are beginning to breed trouble, adding neighbors to the growing ranks of victims.

Stagnant swimming pools spawn mosquitoes, which can carry the potentially deadly West Nile virus. Empty rooms lure squatters and vandals. And brown lawns and dead vegetation are creating eyesores in well-tended neighborhoods.

In Northridge, the house next door to Michael McKenna's was put on the market, sold and then foreclosed on, all in the space of a few months last spring.

With the five-bedroom home now forsaken and deserted, McKenna has been reluctantly cutting the lawn and dumping chemicals in the pool to kill the bugs.

"I resent having to do this," the former studio production manager said. "It's breaking my back."

More than 100 houses a day are being foreclosed on in Southern California, up from 13 a day last year. That's still a relative handful for such a populous area, but even the optimists predict that the problem will soon get much worse.

If the foreclosure trend continues on its current pace, experts warn, communities will need to act decisively to avoid blight.

"We know it's coming," said Tina Hess, the assistant Los Angeles city attorney who handles housing enforcement and problem properties.

Hess is proposing that the number of inspectors in L.A.'s vacant-building program be nearly doubled, from the current 15 to 27. Inspectors can order pools to be fenced and houses to be secured against trespassers.

Homeowners like McKenna, 47, and his friend Israel Del Pino, 54, who lives on the other side of the foreclosed property, are eager for stepped-up enforcement. Their efforts to contact an owner, lender or real estate agent responsible for the house have proved fruitless.

"We're getting the raw end of the deal here," McKenna said. "No one will take responsibility."

In another Los Angeles cul-de-sac, this one off Coldwater Canyon Drive near Beverly Hills, the neighbors have the opposite problem. Here's a foreclosed house that should be empty and isn't.

The mansion in question was bought by a man in early 2005 for \$1.4 million. By last fall he was gone and the property was in foreclosure.

HSBC, a major lender that was carrying the biggest note on the house, asked Leo Nordine, a real estate agent who specializes in foreclosures, to represent it for sale.

Nordine went to check out the property and realized that people were living there. He left them a polite letter on the kitchen counter. There was no response to that letter, nor to follow-ups that he mailed.

Neighbors, who asked that their names not be used because they were worried about their safety, said the occupants were a group of men apparently in their 20s and 30s. The men take the trash out every week, but that was the only good thing the neighbors had to say.

Nordine said that HSBC was pursuing a formal eviction but that it would probably take many months. The HSBC manager in charge of the foreclosure didn't respond to questions.

On a recent evening, the front door was open. The inhabitants declined to respond to a reporter's queries.

Authorities and real estate agents say similar problems arose during the wave of foreclosures in the 1990s, when houses stayed empty for months.

Chris Ragsdale, the Los Angeles Police Department's senior lead officer for Westwood and Bel-Air, recalled one case from the end of that era, when a group of men moved into a foreclosed house in Pacific Palisades. The squatters changed the locks, turned on the electricity and brought in furniture. When the agent trying to sell the place showed up, they maintained that they had a lease.

"If you know what you're doing, you can get six months in a place with a kick-ass view," Ragsdale said.

That's because the police tend to take a pass if the case is more complicated than basic breaking and entering. For one thing, they can't be positive it's not a valid lease.

"We're all liability-conscious," Ragsdale said. "It's a civil matter."

Paul Cargile, a Westchester foreclosure specialist, took over a South L.A. house a few months ago. When he sent his cleaning crew in to prepare it for sale, they found a woman living there. She produced a lease showing she had paid a man claiming to be the owner \$1,600 in first month's rent and deposit.

Cargile gave her \$2,000 to leave.

"It's easier than going to court," he said.

If squatters are a throwback to previous real estate downturns, the West Nile virus is new this time around. Standing water is a prime breeding ground for mosquitoes, which catch West Nile from infected birds and transmit it to humans. Seven state residents with West Nile have died this year.

Mosquito abatement programs around California are trying to cope with the wave of foreclosures, especially in outlying areas that have been hardest hit. The Antelope Valley Mosquito and Vector Control District said it treated 65 pools at vacant homes last month, up from 15 in July 2006.

"We used to have just one or two people doing pools," district spokeswoman Leann Verdick said.

"Now, all seven technicians and the field supervisor spend a lot of their time on them."

Worried that there are many green pools they don't know about, officials hired an aerial survey company this

Los Angeles Times: Blight moves in after foreclosures

month. The surveyors identified 1,000 pools as "green," "half-empty," "murky" or "questionable."

Michael McKenna and Israel Del Pino can't figure out what to do about the neighbor's pool.

Property records show that the 3,200-square-foot house was sold in March for \$860,000 to a man identified on property records as Pat Cheamsreesakul, who financed the entire sum with two loans. He filled the garage with his stuff but never moved in.

He apparently never paid the mortgage either, because by June 15 he was delinquent \$19,050, records show, and his lender, GMAC Mortgage, had started foreclosure proceedings. GMAC declined to comment. Cheamsreesakul's whereabouts could not be determined.

In early July, the neighbors contacted the L.A. County Health Department about the pool, and the agency promptly sent out someone to look. He put a note on the front door asking the owner to contact the authorities.

"There is no owner," McKenna told the inspector. Or, at least, none that he could find.

The inspector also said he would refer the matter to the city Department of Building and Safety.

Weeks went by. Algae and bacteria began to grow in the pool, which turned green. Mosquitoes laid eggs, which hatched into larvae. If those critters fed on a bird infected with West Nile, they could transmit the disease.

McKenna took matters into his own hands, refilling the pool, turning on the filter and dumping in gallons of bleach and chlorine.

A few days later, a building inspector turned up. McKenna led him back through the gate to the pool. The inspector said he didn't see any evidence of mosquitoes, according to McKenna, and said he couldn't do anything about the house itself, because it was still secure from vandals.

Del Pino, meanwhile, called the local vector-control agency. Technicians arrived immediately, ready to treat the pool. But because McKenna had already treated it, there wasn't much to do. They said their policy was not to drain pools.

"People keep coming out, and I guess they're doing their job, but no one is really addressing the problem," McKenna said.

Los Angeles building department officials said inspectors were supposed to check out vacant properties within three working days. They had no explanation why it took three weeks.

But they also said the city had limited ability to help.

"Unless the house is open and vacant, and starting to collect trash and debris, there's nothing we can do," said Frank Bush, chief inspector for the L.A. Building and Safety Department's Code Enforcement Bureau.

As for the pool, "you can't drain for the sake of draining," said department spokesman Bob Steinbach. "It's the owner's responsibility."

The only solution, Del Pino said, is for the house to be sold to someone who will take care of it. But that, he feared, was going to take a long time.

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Los Angeles Times: Blight moves in after foreclosures

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New Census Data Paints Mixed Economic Picture of L.A. County

LOS ANGELES—A new report based on the latest data from the U.S. Census Bureau offers a mixed economic picture of Los Angeles County. Despite small gains in income in 2006, Los Angeles' economy is still failing to provide adequate incomes to millions of residents.

The report, which supplements the Census figures released Aug. 28 with data from several other studies, shows that nearly 40 percent of county residents do not earn enough to meet their basic needs, close to one-third of full-time workers earn less than \$25,000 a year and more than 20 percent of children live in extreme poverty. This situation is aggravated further by low rates of health insurance and some of the nation's highest housing prices. Latinos and African Americans are most likely to be poor, with rates almost three times as great as those of non-Hispanic whites.

The Census data contain some encouraging news: median household income in Los Angeles County edged up slightly in 2006 and family poverty rates decreased slightly over the previous year. Household income in the county has caught up to where it was in 2000, the peak of the last economic expansion, while the state and nation still lag behind where they were.

Nevertheless, L.A. County residents continue to fare worse than those in the state and nation as a whole. The typical county worker's hourly wage is 9 percent less than the typical California worker and 4 percent less than the typical U.S. worker. The steady erosion of manufacturing jobs and the rapid growth of low-wage service sector industries have solidified the county's status as one of the nation's capitals of working poverty.

"Los Angeles cannot be a truly great city when millions of residents are unable to provide a decent life for their families," said Madeline Janis, executive director of the Los Angeles Alliance for a New Economy (LAANE), which released the report with the Partnership for Working Families (PWF). "We must face this challenge head on and find innovative ways to create shared prosperity."

Employment growth projections suggest that low incomes, high poverty and inadequate health coverage will continue to plague large numbers of L.A. County residents unless measures are taken to improve job quality. Five of the 10 occupations projected to produce the most new jobs offer meager wages,

and jobs in several growing sectors are likely to lack health insurance. By contrast, the county's manufacturing sector, which once provided stable middle-class employment to large numbers of workers, lost more than 170,000 jobs between 1996 and 2006. The percentage of county residents with job-based health insurance declined eight percentage points from 2001 to 2005, while there has been a 9 percent increase in the number of uninsured.

While noting that increases in the state minimum wage, enactment of living wage policies and successful union organizing drives have improved conditions for some workers, the report concludes that far more needs to be done to overcome the region's staggering levels of economic deprivation. Indeed, increases in the state's minimum wage have failed to help workers make up much ground, with the purchasing power of the state's minimum wage (which was raised to \$7.50 in 2007) still 28 percent below its 1968 value.

The study calls upon businesses to invest in their workforce and support policies that expand opportunity, labor unions to rededicate themselves to raising standards through organizing workers, and policymakers to prioritize education and pursue strategies to help raise wages in growing low-wage industries.

"The prevalence of poverty and low-wage jobs has implications for all the region's residents and institutions," said Janis. "It affects our schools, our neighborhoods, our ability to attract quality businesses and our health system. But if we work together, we can overcome these problems and transform Los Angeles into a symbol of hope and opportunity."

LAANE is a nonprofit organization that has authored numerous studies on poverty, wages and economic development. PWF is a national organization and sponsor of the California Research Project, a network of regional organizations studying the status of working families with assistance from the Washington, D.C.-based Economic Policy Institute.

To read "Poverty, Jobs and the L.A. Economy," visit www.laane.org.

IDEAS AND TRENDS

AFFORDABLE HOUSING

* Study Finds Sharp Increase in Housing Cost Burden for Low-, Moderate-Income Working Families

The number of low- to moderate-income working families paying more than half of their income for housing increased 87 percent over the 1997-2005 period, from 2.4 million to 4.5 million, according to a study by the Center for Housing Policy, the research affiliate of the National Housing Conference (NHC).

The study is based on data from the 2005 American Housing Survey (AHS).

The number of renter households paying over half of their income for housing more than doubled, from 1 million to 2.1 million, while the number of homeowners rose 75 percent, from 1.4 million to 2.4 million.

Low- to moderate-income working families are defined as households that work a full-time job and earn at least the annual minimum wage of \$10,712, but no more than 120 percent of the median income for their area.

"This new study reveals that housing cost burdens have increased faster among America's working family renters than among working family homeowners," said John McIlwain, chairman of the Center for Housing Policy and senior resident fellow with the Urban Land Institute.

"Over the past several months, there has been a tremendous amount of attention given to the problems facing homeowners with subprime mortgages," McIlwain added. "While these problems are significant and this attention is deserved, it is important not to lose track of the serious housing problems facing renters."

Critical Housing Needs

When families living in inadequate or dilapidated housing are added to those with high housing cost burdens, a total of 5.2 million working families had critical housing needs in 2005, up from 3 million in 1997. In 2003, 5 million working families had critical housing needs.

The report also analyzed critical housing needs for working families in 31 metropolitan areas for 2002, 2003, or 2004, depending on the area, along with changes from earlier years ranging from 1994 to 1999.

The least affordable market for working family renters, according to the study, was Anaheim, Calif., where 20.6 percent paid more than half of their income for rent, followed by Los Angeles, 20.3 percent; San Diego, 16.8; New York, 15.7; and Miami, 14.3.

The areas with the lowest percentage of working family renters burdened by high housing costs were Buffalo, 4 percent; Kansas City, 4.6; Milwaukee, 5; Pittsburgh, 5.1; and Columbus, 5.5.

Affordability for Homeowners

For working family homeowners, the least affordable of the 31 markets were Los Angeles, where 31.9 percent of the working families paid more than half of their income for housing; New York, 24.2 percent; Newark, 20.5; Miami, 19.8; and San Diego, 17.5.

At the other end of the scale, 4.7 percent of Columbus homeowners were burdened by high housing costs, followed by St. Louis, 4.8 percent; Kansas City, 5.5; and Buffalo and Fort Worth, 5.6.

Twenty-seven of the 31 metropolitan areas saw increases in the percentage of working families with critical housing needs, topped by Denver, with an increase of 162 percent; Charlotte, 86 percent; Kansas City, 84; Sacramento, 81; and Pittsburgh, 72.

The four areas where the share of working families with critical housing needs fell were Buffalo, with a decline of 21 percent; San Bernardino, 12 percent; Fort Worth, 7; and Dallas, 5.

Developing Solutions

"Critical housing needs pose a challenge, but the housing landscape is not permanently etched," the study says. "Communities across the country have shaped and changed their local landscapes, developing innovative solutions to create more affordable housing for working families."

The report cites as effective strategies adopting expedited permitting and review policies, establishing inclusionary zoning requirements or incentives, leveraging employers' commitment to affordable housing for workers, preserving affordable rental homes, and expanding homeownership education and counseling.

"Our national and state policies should support and facilitate these efforts," the report adds. "It will take a combination of strong leadership, increased funding, strategic guidance, flexible guidelines, and fashioning of the right incentives for public and private partners to do their part. In short, policies aimed at meeting the full range of working families' needs must be part of our commitment to decent and affordable housing for all Americans."

("The Housing Landscape for America's Working Families 2007" is available at www.nhc.org/housing/landscape2007.)

AFFORDABLE HOUSING

New Orleans Recovery Study Recommends Additional Steps To Help Low-Income Renters

Two years after the devastation of Hurricanes Katrina and Rita, the housing needs of low- and moderate-income renters in New Orleans and Louisiana require far

The notice cautions PHAs that they cannot use current-year funding to reimburse prior-year costs.

Sanctions

If an on-site review finds problems with the voucher or public housing program, the PHA must submit a corrective action plan as directed by the HUD field office. Failure to respond to a review report within 45 days or to implement corrective actions within the time frames approved by the field office will result in sanctions.

For the voucher program, HUD will withhold 10 percent of 1/12 of the annual administrative fee beginning in the month the field office makes the sanction effective and continuing until the PHA complies with the program requirements.

For public housing, the sanction will be 5 percent of the monthly scheduled operating subsidy, for the same period of time.

The notice points out that these are temporary sanctions.

(For further information, contact Nicole Faison, 202-708-0744, or Danielle L. Bastarache, 202-708-0477.)

PUBLIC HOUSING

* Philadelphia Seniors Development Serves as Model for Combining Housing, Health Services

The Philadelphia Housing Authority (PHA) recently opened Germantown House, a 133-unit seniors public housing development which is intended to serve as a model for combined housing and health services for low-income households.

A study done for PHA by Applied Real Estate Analysis (AREA) shows there is an immediate need in Philadelphia for 1,500 to 3,000 service-enriched apartments for low-income seniors, and PHA Executive Director Carl Greene said his agency plans to meet that demand during the coming years.

"We know that seniors prefer to live independently for as long as they can," said Greene. "PHA's new model of combining spacious apartments with an adult day center in the same building makes it possible for these residents to avoid the full-time care of a nursing home."

LIFE Services

The PHA has partnered with the NewCourtland LIFE program, a subsidiary of NewCourtland Elder Services, which operates an adult day health center at the site. PHA said the health center is a state-of-the-art facility.

The LIFE program, known as PACE in other states, provides health care services to Medicare and Medicaid-eligible persons over 60 who are certified as eligible for nursing home care but who want to stay in their own homes. The LIFE program is being made available to eligible residents who live within 12 ZIP code areas around the building in addition to Germantown House residents.

In the LIFE program, a team of professionals assesses

participants' needs, develops care plans, and delivers all services. Social and medical services are primarily provided in the adult day health center supplemented by in-home and referral services according to individual need.

A monthly per-capita payment is made to the LIFE provider, in this case, NewCourtland. Medicare-eligible residents not eligible for Medicaid pay a monthly premium equal to the per-capita amount. There are no deductibles, coinsurance, or other cost-sharing for either Medicare or Medicaid services.

Built in 1971, Germantown House originally contained efficiency apartments which had become outdated. The substantial rehabilitation reconfigured living space into 133 one- and two-bedroom units which are 560 square feet and 850 square feet in size, respectively. Residents pay the tenant share of rent under the public housing program, generally 30 percent of income.

Project Financing

The permanent financing for the \$42.9 million project includes \$21,482,620 in public housing capital funds, \$9,710,000 in Moving-to-Work funding from PHA, and \$11,772,000 in 9 percent low-income housing tax credit equity raised through an allocation from the Pennsylvania Housing Finance Agency and syndicated by MMA Financial of Boston.

At the dedication ceremony in June, Estelle Richman, secretary for the state Department of Public Welfare, said there will always be a need for nursing homes, but seniors need alternatives to these facilities.

Richman said that Germantown House and other developments with LIFE centers in Philadelphia serve as a model for seniors housing and that the state needs additional housing like these developments.

* FAIR HOUSING

Housing Groups Urge Ohio Court To Rule That Housing Authority Isn't Liable for Tenant Actions

Several housing organizations have urged the Ohio Supreme Court to overturn a state court of appeals ruling that a public housing tenant alleging racial harassment by another tenant had a cause of action against the Akron Metropolitan Housing Authority (AMHA) under federal and state fair housing laws. (*Ohio Civil Rights Commission v. Akron Metropolitan Housing Authority*, Nos. 23056, 23060, 2006 WL 3824220 (Ohio App. 9 Dist.), December 29, 2006; for background, see *Current Developments*, Vol. 35, No. CD-2, p. 60.)

The Ohio Court of Appeals, Ninth District, Summit County, reversing the trial court ruling, agreed with the plaintiffs that tenant versus tenant harassment is analogous to co-worker harassment in the workplace.

In an amicus curiae brief, the housing groups said that the fair housing laws appropriately hold liable those who discriminate against others, but that neither the statutes nor case law supports liability for a non-discriminatory party. In this case, they noted, there are no allegations or evidence that the PHA took any discriminatory action.

The brief was filed by the Council of Large Public Housing Authorities, National Apartment Association, National Association of Housing and Redevelopment Officials, National Leased Housing Association, National Multi Housing Council, and Public Housing Authorities Directors Association.

Work Environment Test

The brief states that the hostile work environment test as applied by the appellate court is legally inappropriate where the landlord is alleged to have failed to remedy a hostile living environment created by its tenants. This argument overlooks the fact that the landlord-tenant relationship is legally different from the employer-employee relationship, the groups said.

The groups said that the core elements of an agency relationship are absent from landlord-tenant relationships. In the landlord-tenant context, a lease or common law tenancy does not make the tenant an agent because the tenant owes no fiduciary duties to the landlord and does not act on the landlord's behalf, the groups said.

The groups said that landlords have significantly less control over their tenants' conduct than employers have over the conduct of employees.

Tenants who abide by the lease can conduct any lawful activity they wish, and landlords do not have the ability to shape or alter tenants' behavior beyond threatening and carrying out evictions, the groups said. Landlords are generally not responsible for the acts of their tenants, they said.

The organizations also said that if the appellate decision stands, there would be serious negative consequences for PHAs, which would be required to monitor and police tenant behavior to an unprecedented degree. This new unfunded mandate would be especially problematic in the context of budget cuts to federal housing programs, they said.

AFFORDABLE HOUSING

New Mexico Agency Awards \$10 Million in Housing Trust Funds To Cover Infrastructure Costs

The New Mexico Mortgage Finance Authority (NMMFA) has awarded \$10 million from the state's three-year-old housing trust fund to provide low-interest loans to cover infrastructure costs for single-family, multifamily, and transitional supportive housing developments. The projects include colonias and tribal housing and low-income housing tax credit developments.

Affordable housing advocates were active in lobbying the state legislature to create the housing fund in 2005, and it has received \$13 million in appropriations from the state general fund.

The NMMFA has not placed a cap on loans to individual projects and underwrites each application individually. State law requires a match of 3 to 1 from other financing to trust fund dollars, but the actual match has been almost 15 to 1, according to the NMMFA.

Recycling of Funds

The strategy so far is to have a fast recycling of funds so there have been no grants, and bonus points are awarded for loans of three or fewer years. However, some loans have been made with 15- to 20-year terms.

The interest rate has varied from 0.5 percent for a transitional housing project up to 3 to 5 percent for single-family projects that target somewhat higher-income households. Interest is due and payable at the end of the loan term. In one instance, the developer of a tax credit project used permanent financing to take out the trust fund loan.

Lisa LaBrecque of the New Mexico Coalition to End Homelessness said the group considers the creation of the fund a signal achievement of state affordable housing organizations and of the coalition, which was formed only five years ago.

The next goal of the coalition and others is to get a dedicated funding source. The stiff competition for state general funds has resulted in unsteady revenues during the fund's short history.

The fund was started with a \$10 million appropriation in 2005, but the amount slipped to \$2 million in 2006. Gov. Bill Richardson (D) has been a supporter of the trust fund and proposed \$15 million in 2007, but lawmakers provided only \$1 million.

The legislature this year also provided \$750,000 for supportive housing to the state Human Services Department, with part of the funds to be used for development and part for rental vouchers. LaBrecque said that her group hopes to get this funding amount increased next year.

MORTGAGE FINANCE

GAO Says More Information Needed To Evaluate Impact of FHA Title I Manufactured Home Loan Changes

The effects of pending legislative changes in the FHA Title I manufactured home loan program are unclear, according to the U.S. Government Accountability Office (GAO), which says HUD should evaluate the potential impact and develop an approach for collecting information needed to effectively manage the program.

Legislation approved by the House (H.R. 2139) would raise Title I manufactured home loan limits; establish up-front mortgage insurance premiums; provide for mortgage insurance on each loan, rather than setting portfolio-based insurance limits; and require HUD to establish stricter underwriting requirements. (For background, see *Current Developments*, Vol. 35, No. CD-13, p. 407.)

The changes are aimed at stimulating activity in the program, which insured about 24,000 loans in 1990 but only about 1,400 in 2006.

Impact of Changes

While the proposed changes could benefit borrowers, the GAO report says, the potential costs could also expand the government's liability.

COURTS



PUBLIC HOUSING

Federal Law Preempts Innocent Tenant Defense to Eviction

Federal law preempts the use of the Massachusetts innocent tenant defense in termination of tenancies in federally assisted public housing projects, ruled the Massachusetts Supreme Judicial Court, Suffolk. (*Boston Housing Authority v. Garcia*, SJC-09753, 2007 WL 2325651 (Mass.), August 17, 2007)

The case involved Boston Housing Authority (BHA) tenant Doris Garcia, the mother of three adult sons who are listed on her lease. The lease requires her to ensure that household members do not engage in criminal or illegal activity, including drug-related crimes. It allows BHA to terminate a lease based on such activity by any member of the household.

In separate incidents, police arrested two of Garcia's sons and charged each with possession of a class D substance. The BHA then served Garcia with a notice requiring her to attend a meeting to discuss possible violations of her lease, specifically the drug arrests of her sons. Garcia gave explanations for her sons' conduct, but the BHA proceeded with an eviction action.

Innocent Tenant Defense

In *Spense v. Gormley*, 387 Mass. 258 (1982), the supreme judicial court ruled that a housing authority cannot terminate a tenancy without "cause" and that under Boston Housing Authority (BHA) standard leases, violent acts committed by a tenant's family member are sufficient for eviction. However, the court in that case created an exception for innocent tenants who could not have foreseen the impermissible activity or prevented it.

Garcia used the innocent tenant defense at trial, but the housing court judge told her that under the U.S. Supreme Court decision in *HUD v. Rucker*, 535 U.S. 125 (2002), the defense was preempted by federal law. Based on the evidence that the sons were members of her household, the court granted the eviction. Garcia appealed.

The Rucker court held unanimously that Congress had the constitutional authority to give public housing authorities the discretion to conduct no-fault evictions for drug-related crimes. However, Rucker did not decide whether Congress intended to overrule state law that limits the exercise of that discretion by local housing authorities in cases such as this.

Addressing that issue, the supreme judicial court agreed with the lower court that federal law preempts state law's innocent tenant defense.

Court Ruling

The court said that state law must yield to federal law when Congress has explicitly withdrawn the power of the state to regulate the subject matter. State law also must

give way when it is an obstacle to Congress' objectives.

Congress enacted the Anti-Drug Abuse Act of 1988 to reduce drug-related crime in public housing. The legislation and HUD's implementing regulations require that housing authorities use leases that permit the termination of a tenant's lease for crimes committed by household members, even if the tenant has no knowledge of the criminal activity.

The court said the innocent tenant defense articulated in *Gormley* could substantially interfere with congressional objectives. The court stressed, however, that HUD policy encourages local housing authorities to engage in individualized consideration of the circumstances of each case to ensure "humane results," with eviction being "the last option explored, after all others have been exhausted," especially because tenants no longer can use the state law-derived innocent tenant defense.

State law still requires cause before a public housing authority can terminate a tenancy, the court noted. In this case, Garcia's lease permitted BHA to evict her for the drug-related activity of household members. Affirming the trial court, the court found that Garcia violated her lease and that the BHA did not abuse its discretion by terminating her lease.

HISTORIC PRESERVATION

City Doesn't Have to Consider Economic Feasibility of Preservation in Designating Historic Property

Maryland law doesn't require a city to consider the economic feasibility of preservation in designating a building as a historic property, the Maryland Court of Appeals ruled. (*Casey v. Mayor and City Council of Rockville*, No. 85 Sept. Term, 2006, 2007 WL 2164239 (Md.), July 30, 2007)

The court also held that until there is a final determination on the owner's application for a demolition permit, the claim that the designation constituted a regulatory taking is not ripe for review.

The case involves a bungalow in the city of Rockville built around 1923 and owned by the Betty Brown Casey Trust. The property was leased for commercial use, but was vacated because of deteriorating conditions.

Historic Property Designation

When a structural engineer determined that rehabilitation would not be cost-effective, the trust submitted an application for a demolition permit.

While the application was pending, the Rockville Historic District Commission (HDC) undertook a review of the property's historical and architectural significance and recommended that the property be designated as a single-site historic district.

The appeals court concluded that these tax exemptions were "sufficient to constitute a governmental subsidy" under the act.

Reasoning Rejected

The court did not disagree with the conclusion of the appeals court, but disagreed with its reasoning. The court said the appeals court should not have repudiated the Stuborn case and, by implication, the committee's reasoning in this case.

"The act and its regulations permit many kinds of government subsidies, and we disagree with the Appeals Court's rejection of the committee's more expansive interpretation of the fundability requirements of the act," the court said.

The court noted that in other cases, it read the term "subsidy" expansively. For example, in *Zoning Board of Appeals of Wellesley v. Housing Appeals Comm.*, 385 Mass. 51 (1982) (Wellesley I), the court held that a low-interest loan from a quasi-governmental state agency was a subsidy under the act. The court saw no meaningful distinction between the low-interest loan in Wellesley I and the low-interest loan provided by the New England Fund in this case.

"In both cases, a program of the Federal or State government lent funds for affordable housing construction at below-market interest rates," the court noted. "In both cases, it appears that below-market interest rate loans were made possible by the lenders' exemption from certain forms of taxation."

The court concluded that the financing commitment through the New England Fund was a subsidy for purposes of the act. The court said it was not unreasonable for the committee to conclude that a government subsidy was involved when a "legislatively created and monitored entity, the FHLBB, advanced construction funds to a developer of affordable housing at below-market interest rates to advance the legislative purpose of supporting and stabilizing the financing of residential housing."

The court affirmed the superior court's decision and denied Middleborough's motion for judgment on the pleadings.

SECTION 8

* Termination of Assistance Violated Rules When Landlord Didn't Obtain Judgment Actually Allowing Eviction

A PHA's termination of Section 8 voucher payments on the basis of an eviction action violated program regulations because the landlord did not obtain a judgment actually allowing him to carry out the eviction, the Massachusetts Superior Court, Middlesex County, ruled. (*DeProfio v. Waltham Housing Authority*, No. 071498, 2007 WL 2367594 (Mass. Super.), July 17, 2007)

When voucher holder Joanne DeProfio fell behind in her rent payments, landlord Harris Griff commenced a summary process action against her. The parties subsequently entered into a settlement agreement allowing DeProfio to remain in the apartment if she made specified rent payments. Failure to make the payments would result in eviction.

DeProfio made the payments, satisfying the agreement, and Griff allowed her to continue to live in the unit as a month-to-month tenant at a reduced rent.

DeProfio made the payments, satisfying the agreement, and Griff allowed her to continue to live in the unit as a month-to-month tenant at a reduced rent.

Termination of Assistance

After the landlord filed the initial action, the Waltham Housing Authority (WHA) notified DeProfio that she was terminated from the Section 8 program because of non-payment of rent and the pending eviction action. DeProfio was also notified of her right to request a hearing, which she did.

The WHA also notified DeProfio that her Section 8 assistance would continue until at least 30 days after a decision was issued.

Although DeProfio provided the WHA a copy of the letter stating that her landlord's summary judgment case had been settled in full, the WHA affirmed its termination of her subsidy in a February 12, 2007, letter.

Moreover, although it had previously said DeProfio's assistance would be continued for at least 30 days after the final decision, it actually provided no assistance after December 31, 2006.

Court Ruling

The court noted that HUD's regulation on termination of Section 8 assistance, 24 C.F.R. Section 982.311(b), provides that if the owner commences eviction proceedings and the tenant continues to reside in the unit, the PHA must continue to make the Section 8 payments until the owner obtains a court judgment or other process allowing the owner to evict the tenant.

The court also explained that under state law, G.L.c. 239, Section 3, in a summary process action based on nonpayment of rent, if the underlying money judgment is fully satisfied, the landlord may not execute on the judgment and evict the tenant.

In this case, the court said, the settlement agreement allowed the landlord to evict the tenant only if the tenant failed to abide by the terms of the agreement or if the landlord refused to accept the money received as full satisfaction of the judgment.

Since neither of these contingencies occurred, the court said, the landlord did not obtain a court judgment which actually allowed him to evict DeProfio. "It follows that WHA's termination of housing assistance payments to the landlord on behalf of the plaintiff as of December 31, 2006, was in violation of 24 C.F.R. Section 982.311(b)," the court concluded.

The court ordered the WHA to reinstate DeProfio in the voucher program, effective December 31, 2006, to reimburse her for the excess rent payments she made in March through May 2007, and to pay her attorneys' fees.

PUBLIC HOUSING

Court Upholds Eviction for Assault, Rejecting Claim of Entitlement To Accommodation for Handicap

The Massachusetts Appeals Court, Suffolk, upheld the eviction of a public housing tenant for violently assaulting his brother, rejecting the tenant's claim that he was entitled to a reasonable accommodation for a mental illness that caused the assault. (*Boston Housing Authority v. Bridgewaters*, No. 06-P-145, 2007 WL 2333047 (Mass.App.Ct.), August 20, 2007)

The Boston Housing Authority (BHA) brought a summary process action against tenant Emmitt Bridgewaters, who pleaded guilty to a series of criminal charges stemming from the assault on his brother Eric.

After the housing court awarded possession to the BHA, Bridgewaters filed a motion for reconsideration, arguing that he was entitled to a reasonable accommodation from application of the BHA's rules and policies because he was handicapped by bipolar disorder and borderline personality disorder.

The motion was denied, and Bridgewaters appealed, arguing that his eviction without an attempt to accommodate his disability violated the federal Rehabilitation Act, Fair Housing Act, and Americans with Disabilities Act; the Massachusetts antidiscrimination statute, G.L. c. 151B, Sections 4(6) and (7A); and Article 114 of the amendments to the Massachusetts Constitution.

Reasonable Accommodation

On appeal, the court said the proceedings at trial didn't produce testimony or other evidence necessary to make the required fact-based determination of whether a requested accommodation is reasonable.

In any case, the court added, cases previously decided by the Massachusetts Supreme Judicial Court show that Bridgewaters' conduct was the type that relieved the BHA of its obligation to consider a reasonable accommodation.

The court cited two employment cases, *Garrity v. United Airlines, Inc.*, 421 Mass. 55, 653 N.E.2d 173 (1995), and *Mammone v. President & Fellows of Harvard College*, 446 Mass. 657, 847 N.E. 276 (2006), in which the court upheld the firing of handicapped employees for egregious workplace misconduct, and a housing case, *Andover Housing Authority v. Shkolnik*, 443 Mass. 300, 820 N.E.2d 815 (2005).

Andover involved the claim that a PHA discriminated against two tenants by bringing eviction proceedings without first engaging in efforts to provide a reasonable accommodation for their handicap. One of the tenants had mental health issues and repeatedly engaged in behavior that disturbed the neighbors.

In affirming the housing court decision, the Andover court noted that while the term "qualified handicapped person" doesn't appear in federal or state fair housing laws, it does appear in the Rehabilitation Act, to which the court considered the fair housing statutes analogous.

Accordingly, the Andover court said, a qualified handicapped person in the public housing context "is one who could meet the authority's eligibility requirements for occupancy and who could meet the conditions of a tenancy, with a reasonable accommodation or modification in the authority's rules, policies, practices, or services."

Court Ruling

The court in the instant case concluded that those rulings showed the Supreme Judicial Court's decision to utilize a similar framework in housing and employment cases in determining who is a qualified handicapped person.

"There is no suggestion in the text or history of the governing statutes that the antidiscrimination provisions of the fair housing laws were designed to insulate individuals with handicaps from the consequences of activities that would be grounds for termination of tenants without handicaps," the court added.

The court noted that a PHA's primary concern is the safety of its tenants. "We therefore conclude that an individual who engages in conduct that violates a housing authority's rules and that is significantly inimical to an authority's obligation to provide a physically safe environment for its tenants is not a 'qualified handicapped person' entitled to an authority's general obligation to provide reasonable accommodations for its handicapped tenants," the court said.

Under that standard, the court concluded, Bridgewaters was not a qualified handicapped person, and it upheld the decision of the housing court.

SECTION 8

* Landlord Can't Collect Subsidized Portion of Rent from Tenant After PHA Suspends Subsidy Payments

A landlord with a Section 8 tenant cannot collect the Section 8 portion of the rent from the tenant after the housing authority suspended subsidy payments based on the condition of the apartment, ruled the New York City Civil Court. (*Vincenzi v. Strong*, No. L&T 22442/07, 2007 WL 2296505 (N.Y. City Civ. Ct.), August 13, 2007)

During Gina Strong's rent stabilized tenancy, she obtained a Section 8 voucher from the New York City Housing Authority (NYCHA). Landlord John Vincenzi accepted the voucher and entered into a housing assistance payments contract (HAP) with NYCHA. The HAP contract specifically states that the tenant is not responsible for paying the portion of the rent covered by the voucher. Under the most recent lease, NYCHA paid about \$875, and Strong was responsible for about \$140.

After inspecting the apartment, NYCHA determined that Vincenzi failed to maintain the premises according to federal housing quality standards (HQs). NYCHA terminated subsidy payments and issued a transfer voucher to Strong to enable her to move to a safe apartment.

In the meantime, Strong continued to pay the tenant share of the rent in full each month. Vincenzi brought an action against Strong, seeking the unpaid Section 8 share

of the rent for almost two years, a total of almost \$18,000.

Court Ruling

The court explained that a landlord must renew a rent stabilized lease on the same terms and conditions as the expiring lease and must continue to accept an existing Section 8 subsidy. In a Section 8 lease, the tenant agrees to pay only the tenant share of the rent. Unless the parties enter into a new lease, the tenant does not become liable for the Section 8 share of the rent, even after termination of the subsidy.

Although NYCHA terminated the subsidy based on uninhabitable conditions of the apartment, Vincenzi claimed Strong caused the HQS violations because she would not allow him access to the apartment. The court refused to consider Vincenzi's argument because it said it did not have jurisdiction to review the propriety of NYCHA's decision.

According to *Harlem Pilot Block 1 HDHC v. Cordero* (no citation given), the landlord's remedy in such a case is to commence a holdover proceeding for material non-compliance with the terms of the lease (not giving the landlord appropriate access to the premises). The landlord cannot bring an action to recover the Section 8 portion of Strong's lease payments.

Even if Vincenzi could bring such an action and the court found that Strong caused her subsidy to be termi-

nated, the court said Vincenzi still would not be entitled to recover the Section 8 portion of Strong's rent. Unless the parties enter into a new lease, the Section 8 tenant is liable only for her portion of the rent, the court said.

Because Strong paid her share of the rent for all relevant periods, the court dismissed Vincenzi's petition with prejudice. The court also directed Vincenzi to correct all outstanding building violations immediately, based on Strong's breach of warranty of habitability claim.

Courts in Brief

A condominium board did not violate the Fair Housing Act when it refused to remove a speed bump impeding a disabled resident's access to one of two entrances to the condo parking lot, the U.S. District Court for the Southern District of New York ruled. (*Resnick v. 392 Central Park West Condominium, No. 07 Civ.1988(LBS); 2007 WL 2375750 (S.D.N.Y.), August 14, 2007*)

The court rejected the plaintiff's argument that the refusal to remove the speed bump violated the act's requirement, in 42 U.S.C. Section 3604(f)(3)(B), to make a reasonable accommodation for her disability.

The court agreed with the defendants that they have already provided a reasonable accommodation since the other entrance provides unrestricted access to the parking lot.

Section 8 sweep yields 10 arrests

Deputies check 15 homes in Lancaster housing complex

This story appeared in the Antelope Valley Press on Saturday, September 1, 2007.

By VERONICA ROCHA
Valley Press Staff Writer

LANCASTER - Ten people were arrested and nine Section 8 recipients will be recommended for termination from the rental subsidy voucher program after sheriff's deputies and investigators checked 15 homes occupied by Section 8 recipients in a townhouse complex, authorities said Thursday.

Six people were arrested on suspicion of misdemeanors and four on felony charges including suspicion of forgery, violation of parole and marijuana sales, said Sgt. Steve Sylvies of the Lancaster Sheriff's Station.

Occupants of nine of the 15 homes checked at High Valley Town Homes in the 2200 block of East Avenue J-8 were found Thursday to have allowed unauthorized individuals on parole or probation to stay there, and the residents in the homes were suspected of using or possessing narcotics, Sylvies said.

Section 8 investigators, the station's LAN-CAP team and probation and parole officers searched the 96-unit complex about 7 a.m. Thursday.

The subsidized, low-income complex was originally administered by the Housing and Urban Development program until the beginning of this year, when it gave power to the Kern County Housing Authority to monitor and issue Section 8 vouchers to residents, authorities said.

The Los Angeles County Housing Authority recently added the homes to its Section 8 voucher program so county sheriff's deputies could enforce the program's rules.

Authorities said the complex's management company is working with the sheriff's officials to improve living conditions there.

- VERONICA ROCHA

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Wednesday, September 5, 2007

Melvin Burrell on, How to Get State, County, City & Federal Grants for First Time Home Buyers

Robert Smith and Associates

September 4, 2007

Melvin Burrell on, How to Get State, County, City & Federal Grants for First Time Home Buyers and Down Payment Assistance

Southern California presents a very difficult market for the first time homebuyer. The median price of a home in Los Angeles County, as of May 2007, was \$550,000. Recent statistics show that only about 20% of the families in Los Angeles County can qualify for the median priced home. Due to this fact, many state and local governments have instituted programs to assist qualified first time buyers. The qualification usually depends on many different factors, such as, family income, family size, and credit scores. In addition, there is usually a homebuyer education course requirement.

Primarily the federal government funds the programs, however, some state, county, and municipal monies can be involved. The assistance usually comes in the form of "gap financing", the difference between a small down payment from the buyer and a first mortgage loan, via silent 2nd or 3rd mortgages. The buyer prequalifies for a first mortgage and then the program provides additional financing to help with the down payment and/or closing costs.

MyCommunityMortgage is a federal program designed to serve low and moderate-income borrowers with limited cash assets/savings, limited credit history and non-traditional income sources.

The most far-reaching program is the California Housing Finance Authority (CalHFA), a completely self-supporting State agency. For over 30 years, CalHFA has supported the needs of first-time homebuyers by providing financing and purchase assistance programs for individuals within specified income ranges. Established in 1975, CalHFA is chartered as the State's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds.

The Los Angeles Housing Department (LAHD) has the most liberal purchase assistance program in that it allows buyers to earn the most income and still receive some purchase assistance loans from \$50k to

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\$90k. Both CalHFA and LAHD require a middle FICO score of 620 or above. The buyer only has to put 1% down if they do a 12 hour homebuyer education course and 3% down if they do an 8 hour course.

Several cities in California also have down payment assistance programs. Contact Melvin Burrell at Capital Loan Specialists for assistance at 800-208-8121.

www.capitalloanspecialist.com

For more information on First Time Home Buyer's Down Payment Assistance Programs contact Melvin Burrell at 800-208-8121 or email at melvinb@caploanrealty.com or visit www.capitalloanspecialist.com and www.capitalexecutiverealty.com

would be involved in financing the fund, Congress would have to make up HUD appropriations lost to the trust fund through FHA, critics contend. Thus, taxpayer funding of the trust comes into play, albeit through the legislative back door.

The legislative squabble is expected to stall efforts on the three measures past the planned Oct. 26 congressional adjournment date, thereby sending the hot button issues into the election year fray.

Affordable Housing Bill To Governor

California: Gov. Arnold Schwarzenegger (R) is expected to sign AB 641 into law.

The measure would require local governments to defer fees on any housing development in which at least 49% of the units are affordable to low and/or very low-income households.

Fees would be deferred until certificates of occupancy are issued, allowing developers to reduce the amount of money they would need to borrow during the construction phase, thus reducing the amount of interest paid on the loans.

Critics Fight Affordable Housing Plan

Connecticut: A plan by the Greenwich Housing Authority to create affordable housing for service workers—police, firefighters, teachers—is flawed because it won't help the city reach state guidelines for affordable units and because it will eliminate one of the last parcels of open space, critics say.

Project backers counter that development of four acres into 34 housing units was never intended to count toward a state guideline that 10% of all housing stock qualify as affordable.

State officials say about 5% of the New York City bedroom community's housing stock can be considered affordable—rent or mortgage payments do not exceed 30% of household income.

HUD data show 80% of the area's median annual income is about \$89,200 for a family of four.

Housing authority plans call for creation of 220 housing units on three properties, including the four-acre plot, to help meet state requirements.

amounting to more than \$2,500.

Repayment money must come from outside, non-federal sources. PHAs are forbidden from using their Sec. 8 administrative fees for reimbursement.

If a PHA underpays a subsidy, the agency is required to reimburse the family for the total family share, with the landlord receiving a portion of the payment.

Info: HUD, 202/708-0980

*Activists Seize Public Housing Office

Louisiana: About 25 protesters, many from the Miami Worker's Center, took over offices of the Housing Authority of New Orleans (HANO) Aug. 31 following commemoration of Hurricane Katrina two years ago.

The group insisted they would hold the offices hostage until HUD opens the St. Bernard public housing project, one of the four public housing complexes slated for demolition because they are too ravaged by the storm.

After resisting for several hours, HUD says the protesters departed quietly.

*SENIORS HOUSING

Elderly Poor Get Housing Boost

A measure to make it easier to develop and preserve housing for the elderly poor receives strong support at a House Financial Services Committee hearing but the Bush administration refrains from endorsement.

Acting HUD Deputy Asst. Secy. John Garvin tells lawmakers improving the Sec. 202 program is a top administration priority, but he is challenged by Housing Subcommittee Chairwoman Maxine Waters (D-CA) over the administration FY 2008 request for Sec. 202 financial support. The White House asks for \$575 million, down from FY 2007's \$735 million.

HR 2930 would streamline the Sec. 202 administration process to make it easier for nonprofits, such as religious organizations, to receive federal money.

The measure, sponsored by Rep. Tim Mahoney (D-FL), would revise the rental assistance system to cover emergencies such as a rise in utility costs and would allow property owners to obtain loans for renovation without the necessity of raising rents.

Garvin says reform is necessary because the number of units available for the low-income elderly has dropped to about half of what it was in 1995.

A 2002 congressional survey shows the need for 730,000 additional rent-assisted units for the elderly poor by 2020.

*PUBLIC HOUSING

PHAs Get Strict Voucher Rule

Under a new HUD directive, public housing authorities (PHAs) must reimburse HUD for all of the costs associated with any error they make handling Sec. 8 vouchers

Section 8 sweep nets two arrests

Several recipients face termination for violations

This story appeared in the Antelope Valley Press on Friday, September 7, 2007.

By VERONICA ROCHA
Valley Press Staff Writer

LITTLEROCK - Two people were arrested and four Section 8 recipients face termination from the rental subsidy voucher program after authorities on Thursday conducted unannounced compliance searches of their homes.

Two people, whose names were not immediately available, were arrested Thursday in the 9100 block of Avenue S-14 on suspicion of outstanding warrants after deputies from the Los Angeles County Sheriff's Department Community Oriented Policing Services Bureau, code enforcement investigators and Section 8 investigators searched the home for Section 8 compliance, said Deputy Robert Ferrell of the Palmdale Sheriff's Station.

Inside the home, Ferrell said, authorities found evidence of marijuana use.

That home and three other residences - in the 37900 block of 90th Street East, the 9000 block of East Avenue T and the 9800 block of East Avenue S-18 - will be recommended for termination from the Section 8 program administered by the Housing Authority, he said.

The Section 8 recipients who reside in the houses had unauthorized people living there, Ferrell said.

Under Section 8 regulations, recipients must provide the Housing Authority with a list of people who reside at the home, and those individuals must be authorized by the Housing Authority.

Ferrell said three of the four Section 8 recipients who might lose their vouchers had "excessive ... calls for service," meaning deputies were sent out to the homes several times in the past two years.

Authorities plan to return to one of the homes searched, which they discovered was not properly up to code enforcement standards, Ferrell said.

Deputies and investigators searched seven homes Thursday during the compliance checks.

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Los Angeles Times
latimes.com



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From the Los Angeles Times

L.A. agency sues its former investigator

Abel Ruiz says he was fired for asking too many questions about a possible \$800,000 scheme. The city says he didn't ask enough.

By Jessica Garrison and Ted Rohrlich

Los Angeles Times Staff Writers

September 10, 2007

When Abel Ruiz was fired last month by the troubled Los Angeles Housing Authority, he said it was because he, as the agency's chief investigator, was asking too many questions about an apparent \$800,000 bid-rigging scheme.

Now his former bosses have hit back in a lawsuit, saying that Ruiz, who headed the agency's internal controls department, did not ask enough. After they upbraided him for conducting an insufficient probe, the lawsuit says, Ruiz began engaging in "witch-hunting" that targeted some of them along with current and former City Council members.

In a written statement, Ruiz accused the authority of filing the lawsuit as a "retaliatory attack."

"I did my job to expose waste, fraud and/or abuse," he said. He declined to answer specific charges in the suit, saying his lawyers would respond "when appropriate."

The charges and counter-charges are yet another twist in the convoluted, almost soap-operatic troubles facing the largest housing authority west of the Mississippi.

The agency is charged with providing shelter to more than 110,000 of the city's poorest and sickest residents, but it has been racked by scandal and mismanagement for decades.

Hired in 2004, the housing authority's executive director, Rudolf Montiel, brought Ruiz in the next year to help him root out corruption and wrongdoing.

But over the summer, according to the lawsuit, Montiel became concerned about Ruiz's performance and reprimanded him after The Times published an article about the apparent bid-rigging scheme that included many details that Ruiz had failed to uncover.

The case involved a high-level manager, Victor Taracena, who over several years appears to have steered \$800,000 worth of federal construction and design contracts to family members and politically connected firms, according to contract files. Through his lawyer, Taracena has denied wrongdoing.

The housing authority's lawsuit claims that Ruiz failed in investigating Taracena, a failure that became apparent after The Times reported on the case in July.

According to the suit, "many of the details disclosed in this article had not been discovered . . . despite Ruiz's representations that he had conducted and was conducting an extensive investigation."

The lawsuit says Montiel told Ruiz that he was going to turn over the internal investigation to the inspector

general's office at the federal Department of Housing and Urban Development, which provides most of the agency's funds. The case had also been referred to the Los Angeles County district attorney's office, which is conducting a criminal investigation.

The lawsuit says that Ruiz responded to Montiel's criticism by investigating Montiel and other officials in the agency. He accessed commercially available computerized databases that contain extensive public records and other information on individuals without ample reason, the suit says.

In the days after the reprimand, Ruiz ran more than 25 computer searches on Montiel and members of his extended family in Texas, including Montiel's brother's wife's sister's husband, according to the suit. He also ran searches on unnamed current and former City Council members.

"Additional unauthorized searches by Ruiz included innocent fellow employees about whom no complaints had been made and on whom no suspicion had fallen," the lawsuit said. "Although Ruiz in his delusion will assert he was uncovering misconduct with his unauthorized searches . . . in fact he was witch-hunting and out of control."

Ruiz told a different story. He said he complained that housing authority leaders handed the case over to law enforcement before he could complete his investigation. Then, he said, he learned that another official in the housing authority was still looking into the matter, leading him to suspect that the official could have been helping wrongdoers obstruct the investigation.

Ruiz said that after he complained, he was fired. He has said he plans his own wrongful-termination lawsuit against the agency.

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PARTNERS:



Council to hear report on salvaging neighborhoods

This story appeared in the Antelope Valley Press on Saturday, September 8, 2007.

By BOB WILSON
Valley Press Staff Writer

LANCASTER - Eleven neighborhoods have been identified as in need of assistance because of a combination of high numbers of crimes, code violation and rentals plus low household incomes.

Salvaging these neighborhoods will be topic of a report to be delivered Tuesday to the City Council by Elizabeth Brubaker, the director of housing and neighborhood revitalization.

Brubaker's report will be a introduction to the "Strong Neighborhoods Initiative," a city improvement program put in motion with funding from the council in late June.

The multi-year, multi-pronged program "is a comprehensive and coordinated strategy to address the current and potential decline of Lancaster neighborhoods," a staff report for council perusal shows.

To accomplish that goal, the council agreed to budget \$708,920 for the effort, specifically:

\$500,000 for public safety, Neighborhood Watch and business safety programs;

\$120,000 for housing and neighborhood revitalization programs and additional Section 8 rental housing investigators;

\$58,920 for special public events and parks, recreation and arts programs; and

\$30,000 for public works and the Lookin' Good Lancaster volunteer cleanup program.

The bulk of the money for the Strong Neighborhoods Initiative is to come from the Lancaster Redevelopment Agency, which must spend 20% of its revenue to improve the city's stock of affordable housing.

Five of the 11 neighborhoods - which fall on both sides of Sierra Highway between avenues J and H-8 - have been deemed "primary" in terms of needing help combating poor living conditions.

Six other neighborhoods bordering Sierra Highway between avenues M and H have been deemed "secondary" in terms of needing help.

Four more neighborhoods "of interest" also have been categorized as being in danger of becoming worse and slipping into either the secondary or primary categories.

The 11 run-down areas will be improved through a joint effort that will involve the city's departments of planning, redevelopment, public works, economic development, housing and neighborhood revitalization and parks, recreation and arts, as well as the county's sheriff's and fire departments and its other public safety and health agencies, a staff report prepared for the City Council showed.

"The goals of the Strong Neighborhoods Initiative are to reverse the pattern of deterioration, recapture the 'sense of place' that once existed, increase the livability and vitality of the neighborhoods, and rekindle 'sense of pride' among residents," the report noted.

In that report, Primary Neighborhood 1 was described as suffering from high crime, high code violations and low/very low wealth among its households. Descriptions of the other "primary" areas were:

Primary Neighborhood 2: high crime and low/very low wealth;

Primary Neighborhood 3: high crime, high code violations and low/very low wealth;

Primary Neighborhood 4: high code violations and low/very low wealth; and

Primary Neighborhood 5: high code violations and low wealth.

The report further noted that Secondary Neighborhood 1 suffered from low/very low wealth. Descriptions of the other "secondary" areas were:

Secondary Neighborhood 2: high code violations and low/very low wealth;

Secondary Neighborhood 3: high code violations and low/very low wealth;

Secondary Neighborhood 4: high crime and low/very low wealth;

Secondary Neighborhood 5: high code violations and low wealth; and

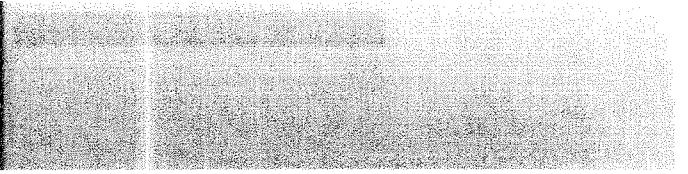
Secondary Neighborhood 6: low wealth and significant, but not high, crime.

The concept for the Strong Neighborhoods Initiative sprung from a 2006 study of the housing conditions in Lancaster's redevelopment area. Using the information brought forward by that study, City Manager Bob LaSala and his staff began developing strategies for combating blight and improving troubled neighborhoods.

The city's elected officials will hear the report in detail when they meet at 6 p.m. Tuesday in the City Council chambers at City Hall, 44933 Fern Ave.

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Los Angeles Times
latimes.com



<http://www.latimes.com/news/local/la-me-housing11sep11,1,5500488.story>

From the Los Angeles Times

Judge sides with tenants on subsidized apartments

Poor renters getting federal help are protected by L.A.'s rent-control laws, the federal ruling says. Both sides expect an appeal.

By Jessica Garrison

Los Angeles Times Staff Writer

September 11, 2007

Poor tenants relying on federally subsidized housing in Los Angeles are protected from eviction by the city's rent control laws, a federal judge said in a tentative ruling Monday.

U.S. District Court Judge Audrey B. Collins' ruling came in response to a lawsuit by 22 tenants of a hillside apartment building in Echo Park against owners including a UCLA real estate professor. But it has implications for about 26,000 people who live in rent-controlled buildings and receive federal subsidies.

Collins said the city's rules apply even though federal rules allow landlords to opt out of the so-called Section 8 program if they want to charge more money for their apartments.

The ruling is expected to be finalized later this week.

Advocates on both sides predicted that Collins' decision almost certainly would be appealed to the U.S. 9th Circuit Court of Appeals and to the U.S. Supreme Court.

The Morton Garden apartments, a 66-unit building that is in the hills near Dodger Stadium and from which there are glimpses of the Pacific, are partly owned by Eric Sussman, who teaches real estate at UCLA's business school.

jessica.garrison@latimes.com

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INDICATORS

Mortgage Rates Fall

The 30-year fixed-rate mortgage averaged 6.31%, down from last week's average of 6.46%, a Freddie Mac survey shows.

The five-year adjustable-rate mortgage averaged 6.17%, down significantly from last week's 6.32% average. The one-year ARM averaged 5.66%, down from last week when it averaged 5.74 %.

"Interest rates on prime conforming loans fell across the board in the past week, with rates on 30-year fixed mortgages averaging 0.15 percentage points below the previous week's level," says Frank Nothaft, Freddie Mac vice president and chief economist. Nothaft notes that, "The drop in mortgage rates may give some relief to borrowers who are looking to refinance or purchase a home."

HOUSING AFFAIRS RATE WATCH

PRIMARY MORTGAGE MARKET

Commitment Rates	8/16	8/23	8/30	9/6	9/13
Fixed Rate	6.62	6.52	6.45	6.46	6.31
Fees & Points	0.5	0.4	0.5	0.5	0.5
15-yr. FRMs	6.30	6.18	6.12	6.15	5.97
Fees & Points	0.5	0.5	0.5	0.5	0.4
1-yr. ARMS	5.67	5.60	5.84	5.74	5.66
Fees & Points	0.6	0.6	0.8	0.6	0.8

SECONDARY

FNMA					
30-yr. FRM*	6.46	6.53	6.43	6.25	6.23
FHLMC					
30-yr. *	6.40	6.40	6.29	6.20	6.17

*Required Net Yields, 30-Day Delivery

Info: FHLMC, 703/903-2446; MBA, 202/557-2737

STATE & LOCAL

✂ Landlords In Lead Paint Settlement

Connecticut: A property management firm and several affiliated property owners in New Haven agree to pay a \$32,000 fine to the Environmental Protection Agency (EPA) for failing to inform their tenants of lead-paint contamination.

The landlords—Renaissance Management Co, BHP Associates Limited Partners, GAB Hill Limited Partners, Renaissance Hill LP and Beechwood Gardens LP—agree to spend more than \$400,000 to clean up lead paint residue in their apartment units.

Talks Falter In Miami PHA Takeover

Florida: Two days of court-ordered talks this week fail to resolve an impasse over how the Miami/Dade Housing Agency (MDHA) should be operated.

HUD told city/county officials the department would take over the troubled housing authority after local officials failed to remedy the problems.

But Miami/Dade political leaders countered with a lawsuit against HUD, with a federal judge ordering nonbinding mediation over HUD objections.

HUD ordered the takeover in early August after the department determined MDHA failed to resolve mismanagement, wasteful spending and fraud allegations (*HAL*, 8/10p6).

Miami/Dade Mayor Carlos Alvarez dared HUD to carry out its plan and sued to halt the effort, saying HUD had not

taken the required preliminary steps for a takeover.

Negotiations are held in secret under orders from U.S. District Judge Donald Graham.

HUD To Foreclose On Apartments

New York: HUD will take over eight deteriorating apartment buildings in Syracuse with 277 units in the center of the city.

The department estimates many of the remaining 250 low-income tenants will have to move because of the poor condition of their units. Others may be able to remain if their apartments pass inspection. Tenants will have about 60 days to find other housing with HUD help.

The eight buildings are project-based Sec. 8 subsidy structures where the landlord failed to maintain the properties, which failed three HUD inspections over three years.

Disability Housing Audit Under Way

Texas: HUD tells state officials the department will scrutinize all 93 federally financed disability housing "811" projects following disclosure a Dallas project was headed by a felon.

The *Dallas Morning News* discovered the city's Sec. 811 project received a \$1.1 million housing grant while controlled by Ryan Jones, a former police officer on federal probation for his role in a multimillion-dollar computer theft ring.

The newspaper found the grant was awarded despite a pattern of health and crime problems at facilities operated by Jones since the late 1990s.

Los Angeles Times
latimes.com.

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From the Los Angeles Times

Bond cash for billionaires?

Voters OK'd a measure to fund affordable housing, not to subsidize wealthy developers like Anschutz.


September 15, 2007

Voters agreed in November to use bonds to subsidize new, affordable housing in California. They knew Proposition 13 would put the state \$2.8-billion deeper in debt, but they found the price worth paying in order to spur cities and counties to clean up polluted or derelict lots and turn them into places where Californians could afford to live. They did not intend to subsidize for-profit commercial developers like Anschutz Entertainment Group, which already enjoys millions of dollars in public money and tax breaks extended by elected officials trying to attract new construction.

With public scrutiny -- the kind that rational and open legislative hearings provide -- Assembly Bill 1053 might well have been crafted to eliminate suspicion that a high-rolling company that dispenses campaign donations freely was trying to subvert a public bond measure with sneaky after-the-fact amendments. After all, affordable housing works best when it is built where people want to live, and AEG's downtown projects may make those once-forlorn areas more attractive to urban dwellers while creating jobs they can reach without a long freeway drive.

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\$5.7M Approved To Fund Low-Income Senior Housing

(CBS) LOS ANGELES The Los Angeles County Board of Supervisors Tuesday approved a 55-year \$5.7 million loan/grant program to fund the construction of 124 low-income senior apartments in East Los Angeles.

The Villa Gardenias Senior Apartments will consist of 105 one-bedroom units, 19 two-bedroom units for low-income seniors and one two-bedroom manager's unit.

Funding will include \$5 million from the federal HOME Investment Partnerships Program for construction and permanent financing; a grant of up to \$200,000 in Community Development Block Grant funds for pre-development and off-site financing; and an additional \$500,000 in HOME funds for unforeseen costs related to pre-development, construction and permanent financing.

County supervisors also certified that the Community Development Commission has considered the Initial Study/Mitigated Negative Declaration prepared by the county and determined that the project will not have a significant adverse impact on the environment.

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http://cbs2.com/topstories/local_story_261142825.html

9/18/2007



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office

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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

September 26, 2007

Honorable Housing Commissioners
Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**APPROVE VACANT UNIT PREPARATION SERVICES CONTRACTS FOR THE
CLEANING AND PAINTING OF VACANT HOUSING AUTHORITY UNITS
(ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Recommend that the Board of Commissioners find that approval of the vacant unit preparation services contracts is exempt from the California Environmental Quality Act (CEQA), as described herein, because the services will not have the potential for causing a significant effect on the environment.
2. Recommend that the Board of Commissioners approve and authorize the Executive Director to execute one-year contracts, in substantially the form of the attached, and all related documents, with the contractors identified in Attachment A, to perform County-wide cleaning and painting of vacant units on an as-needed basis prior to occupancy by new and transferring Housing Authority residents, to be effective following approval as to form by County Counsel and execution by all parties; and to use for this purpose a maximum aggregate amount of \$395,100, included in the Housing Authority's approved Fiscal Year 2007-2008 budget.
3. Recommend that the Board of Commissioners authorize the Executive Director to execute amendments to the contracts, following approval as to form by County Counsel, for a maximum of two years, in one-year increments, at the same yearly amount of \$395,100, using funds to be requested through the annual budget approval process.
4. Recommend that the Board of Commissioners authorize the Executive Director to execute additional contracts, in substantially the form of the attached, and all related documents, with additional qualified contractors who submit bids in



conformance with the bid requirements during the next bid process to be held within this fiscal year, in order to ensure sufficient numbers of contractors to meet the vacant unit preparation needs.

5. Recommend that the Board of Commissioners authorize the Executive Director to increase the aggregate amounts of the contracts by \$98,775 for each year of services for any unforeseen, needed unit preparation services, using the same source of funds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to award contracts to provide for the cleaning and painting of the Housing Authority's vacant units, on an as-needed basis, in preparation for leasing.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. The maximum aggregate amount for all three years of the contracts, if fully extended, will be \$1,185,300, excluding any contingency monies. The first year of services under the contracts will not exceed a maximum aggregate amount of \$395,100, included in the Housing Authority's approved Fiscal Year 2007-2008 budget. The procurement of additional qualified contractors will not have an impact on the maximum aggregate amount.

If extended, the cost of the second and third years of the contracts will remain the same at an aggregate amount of \$395,100 annually, using funds to be requested through the Housing Authority's annual budget approval process.

A twenty five percent (25%) contingency, in the maximum aggregate amount of \$98,775 annually, is also being set aside for any unforeseen, needed vacant unit preparation services.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The proposed one-year contracts will provide vacant unit preparation services for all Housing Authority housing developments throughout Los Angeles County. The contracts define the major terms and conditions under which contractors will provide services. On an as-needed, unit-by-unit basis, contractors will be retained to thoroughly clean and paint vacant units prior to occupancy by new and transferring Housing Authority residents.

To ensure the Housing Authority has access to a sufficient number of contractors to meet the vacant unit preparation needs, the Housing Authority is requesting for the Executive Director to execute additional contracts with additional qualified contractors

who submit bids in conformance with the bid requirements during the next bid process to be held within this fiscal year.

The proposed services are being federally funded, and are not subject to the requirements of the Greater Avenues for Independence (GAIN) or the General Relief Opportunity for Work (GROW) Programs implemented by the County of Los Angeles. Instead, the contractors identified in Attachment A must comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

The contracts will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

This action is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.35 (b)(3) because it involves maintenance activities that will not have a physical impact or result in any physical changes to the environment. The action is exempt from the provisions of CEQA pursuant to State CEQA Guidelines 15301 because it involves activities that do not have the potential for causing a significant effect on the environment.

CONTRACTING PROCESS:

On July 12, 2007, the Housing Authority initiated an outreach to identify qualified contractors to provide vacant unit preparation services.

Invitations for Bids were mailed to forty-six contractors identified from the Housing Authority's vendor list. Advertisements also appeared in nine newspapers and on the County Web Site. Twenty-eight bid packages were requested and distributed.

On July 24, 2007, eighteen contractors participated in the Pre-Bid Conference and optional site walks. On August 27, 2007, a total of eight bids were received and formally opened. The eight bids were evaluated, and based on conformance with the bid requirements, the eight contractors identified in Attachment A are being recommended for inclusion on a list of contractors to be utilized on a project-by-project, as-needed basis for cleaning and painting of vacant units administered by the Housing Authority.

Honorable Housing Commissioners
September 26, 2007
Page 4

The Housing Authority has evaluated and determined that the recommended contractors have fully complied with the requirements of the Living Wage Program and agree to pay their full-time employees providing Housing Authority services, hourly rates that comply with the Living Wage Program.

The Summary of Outreach Activities is provided as Attachment A.

IMPACT ON CURRENT PROGRAMS:

The contracts will ensure that vacant units are thoroughly cleaned and painted for new and transferring Housing Authority residents.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

Attachment: 2

ATTACHMENT A

Summary of Outreach Activities

Contract for Vacant Unit Preparation Services

On July 12, 2007, the following outreach was initiated to identify contractors to provide vacant unit preparation services for the Housing Authority housing developments located throughout Los Angeles County.

A. Newspaper Advertising

Announcements appeared in the following nine local newspapers:

La Opinion	Los Angeles Sentinel
Eastern Group Publications	Los Angeles Times
International Daily News	The Daily News
Long Beach Press Telegram	Antelope Valley Press
WAVE Community Newspapers	

The announcement was also posted on the County Website.

B. Distribution of Bid Packets

The Housing Authority's vendor list was used to mail out Invitations for Bids to 46 contractors, of which 32 identified themselves as businesses owned by minorities or women (private firms which are 51 percent owned by minorities or women, or publicly-owned businesses in which 51 percent of the stock is owned by minorities or women). As a result of the outreach, 28 packages were requested and distributed.

C. Pre-Bid Conference and Site Walk

On July 24, 2007, a pre-bid conference and site walk was conducted. Eighteen firms were in attendance.

D. Bid Results

On August 27, 2007, a total of eight bids were received and publicly opened. Bids were received from the following firms:

Adobe Painting and Maintenance, Inc.*
All in One Painting
American Allseasons Maintenance Services, Inc.*
Luna Janitorial*
MB Painting

Quality Building & Maintenance
 Renteria Contracting*
 Sierra Construction/A.V. Division*

*The Housing Authority currently has contracts with these firms.

E. Minority/Female Participation –Firms Selected

Firm Name	Ownership	Employees
Adobe Painting & Maintenance, Inc.	Minority	14 Total 14 Minorities 1 Female 0 Non-Minorities
All In One Painting	Non-Minority	2 Total 0 Minorities 0 Female 2 Non-Minorities
American Allseasons Maintenance	Minority Female	18 Total 17 Minorities 10 Female 1 Non-Minority
Luna Janitorial Services	Minority	2 Total 2 Minorities 0 Female 0 Non-Minority
MB Painting	Minority	1 Total 1 Minorities 0 Female 0 Non-Minority
Quality Building & Maintenance Services	Non-Minority	6 Total 4 Minorities 1 Female 1 Non-Minority
Renteria Contracting Co.	Minority	6 Total 5 Minorities 1 Female 0 Non-Minority
Sierra Construction/ A.V. Division	Non-Minority	1 Total 0 Minorities 0 Female 1 Non-Minority

The Housing Authority conducts ongoing outreach to include minorities and women in the contract award process, including: providing information at local and national conferences; conducting seminars for minorities and women regarding programs and services; advertising in newspapers to invite placement on the vendor list; and mailing information to associations representing minorities and women. The above information has been voluntarily provided to the Housing Authority.

The recommended award of the contracts is being made in accordance with the Housing Authority's policies and federal regulations, and without regard to race, creed, color, or gender.

ATTACHMENT B

Contract Summary

Project Name: Vacant Unit Preparation Services
Location: Various Housing Authority housing sites
Bid Number: CDC07-050
Bid Date: July 12, 2007
Contractor: Please see Attachment A for list of contractors
Services: Unit cleaning and painting

Contract Documents: Attachment A – Statement of Work, Attachment B – Fee Schedule, Attachment C – Required Contract Forms, and Attachment D – Required Contract Notices.

Time of Commencement: The work to be performed under this shall be commenced within 30 calendar days after a Notice to Proceed is received by the Contractor, or on the date specified in the Notice, whichever is later.

Liquidated Damages: In the event of breach of contract for submission of late or incomplete certified monitoring reports in accordance with the Housing Authority's Living Wage Program, the Housing Authority may withhold payment and/or assess liquidated damages against the Contractor in the amount of **One Hundred Dollars and Zero Cents (\$100.00)** per monitoring report for each day until the Housing Authority has been provided with a properly prepared, complete and certified monitoring report. For payments of less than the required Living Wage, the Housing Authority may withhold payment and/or assess liquidated damages against the Contractor in the amount of **Fifty Dollars and Zero Cents (\$50.00)** per Employee for each and every instance of an underpayment to an Employee.

Contract Sum: Multiple contracts will be awarded. The Housing Authority shall pay a maximum aggregate amount of **Three Hundred Ninety-Five Thousand One Hundred Dollars and Zero Cents (\$395,100.00)**. The maximum aggregate amount is not subject to escalation and includes all labor and material increases anticipated throughout the duration of this Contract.

Contract Contingency: \$98,775.